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# INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

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## HEARINGS

BEFORE A

SPECIAL COMMITTEE INVESTIGATING THE  
NATIONAL DEFENSE PROGRAM

UNITED STATES SENATE

SEVENTY-SEVENTH CONGRESS

FIRST SESSION

PURSUANT TO

### S. Res. 71

A RESOLUTION AUTHORIZING AND DIRECTING  
AN INVESTIGATION OF THE NATIONAL  
DEFENSE PROGRAM

---

#### PART 12

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APRIL 14, 15, 16, 21, 22, 23, JUNE 25,  
AND JULY 22, 1942

---

CONVERSION PROGRAM—WAR PRODUCTION BOARD

---

ENGINEER'S GROUP, INC.

---

MARITIME COMMISSION SHIPBUILDING PROJECTS

---

DOMESTIC TRANSPORTATION PROBLEMS

---

PROCUREMENT AND PURCHASE SECTION, WAR  
PRODUCTION BOARD

---

DEFENSE HOUSING—WILLOW RUN PROJECT

---

Printed for the use of the Special Committee Investigating  
the National Defense Program



UNITED STATES  
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WASHINGTON : 1942

SPECIAL COMMITTEE INVESTIGATING THE NATIONAL  
DEFENSE PROGRAM

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LYDIA LEE, *Editor*



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# INVESTIGATION OF NATIONAL DEFENSE PROGRAM

TUESDAY, APRIL 14, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE TO INVESTIGATE  
THE NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:37 a. m., pursuant to adjournment on Tuesday, April 7, 1942, in room 335, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), Harold H. Burton, Joseph H. Ball, Clyde L. Herring, Ralph O. Brewster, and Tom Connally.

Present also: Mr. Charles P. Clark, acting chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Guthrie, will you be sworn, please?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God, in the testimony you are about to give this committee, Mr. Guthrie?

Mr. GUTHRIE. I do.

The CHAIRMAN. You may be seated, Mr. Guthrie.

## TESTIMONY OF ROBERT R. GUTHRIE, FORMER CHIEF, CLOTHING AND LEATHER GOODS BRANCH, WAR PRODUCTION BOARD

CHARGES OF ROBERT R. GUTHRIE RE ADMINISTRATION OF BUREAU OF  
INDUSTRY BRANCHES, W. P. B.

The CHAIRMAN. This hearing is called at the request of Mr. Nelson, who wrote a letter to the chairman of the committee, which the counsel will read.

Mr. CLARK (reading from Exhibit No. 488):

May I ask your committee to investigate the charges made in the statements issued to the press yesterday and today by Mr. Robert R. Guthrie, who on Saturday resigned from this organization.

Mr. Guthrie for some time past has been head of the textile, leather, and clothing branch, which operates in three sections. Recently I learned that personal conflicts had developed between Mr. Guthrie and the members of his staff in the textile section. This situation finally reached the point where it was impeding that part of the war production effort. During the period of this conflict Mr. Guthrie, as chief of the branch, had authority to deal with the situation, but he failed to do so on his own account and did not bring the difficulties to my attention or request any action on my part until after his resignation.

After reviewing the situation it was decided last week to separate the Textile Section from the other two, retaining Mr. Guthrie in charge of Leather and Clothing. For the Textile Section it was proposed to bring in a new man who would be wholly impartial and free from any involvement in the conflicts

which had been impeding the work. Mr. Guthrie took the position, however, that this would be unsatisfactory to him and thereupon resigned.

I have, of course, instituted and will continue a careful investigation of these charges. I think, however, that in view of the public importance of this matter it would be well to have an investigation conducted also by an outside agency, and I shall therefore be glad to have your committee make such an investigation. You may rest assured that in doing so you will have my fullest cooperation.

(The letter referred to was marked "Exhibit No. 488" and is included in the appendix on p. 5283.)

The CHAIRMAN. I read that letter into the record on the day it was received and replied to Mr. Nelson and told him that we would make the investigation and hold the hearing. Mr. Guthrie has asked to be heard and is here now for that purpose.

You have a statement which you desire to read, Mr. Guthrie?

Mr. GUTHRIE. Yes, sir.

The CHAIRMAN. Proceed.

Mr. CLARK. Would you identify for the record the two gentlemen with you.

Mr. GUTHRIE. Mr. Marshal Hale, Jr., and Mr. George Doherty.

The CHAIRMAN. Please give your full name to the reporter, Mr. Guthrie.

Mr. GUTHRIE. My name is Robert R. Guthrie. I was born and raised in Paducah, Ky., where I owned and operated a department store from 1911 until 1938. Since 1930 I have lived in New York City, where I was a member of a stock exchange firm, held memberships in various commodity exchanges, and did the buying for my store in Paducah. I have been a member of the board of directors of Interstate Department Stores and of the White Sewing Machine Corporation, and am now a director of Allied Stores Corporation and of the Childs Co.

In December 1940, I came to Washington and offered to serve without pay in aid of the defense effort. In May 1941, I was asked by Mr. Douglas MacKeachie—at that time Mr. Nelson's deputy—to come to O. P. M. as adviser to the War Department on the reorganization of the post exchanges, and did so, serving until September 1941, when Mr. MacKeachie asked me to organize and head the Textile, Clothing, and Equipage Branch of O. P. M. In January of this year, when the War Production Board was organized, my branch was made a part of the Bureau of Industry Branches under Mr. Philip Reed, as Chief; and Mr. Reed asked me to act as Assistant Bureau Chief, with supervision over the branches administering food supply, electrical appliances, consumers' durable goods, furniture, beverages, and tobacco. About 5 weeks later, Mr. Reed asked me to give up the position of Assistant Chief of the Bureau, and 2 weeks later, on March 13, his deputy, Mr. Amory Houghton, told me that the Textile, Clothing, and Leather Goods Branch was to be split in two, and that I might continue as Chief of the Clothing and Leather Goods Branch. The following day I went to see Mr. Nelson to explain to him my reasons for not accepting this second demotion and to ask him if he would investigate before approving the change. When he told me that he would not, I sent him my letter of resignation on the same day, and my two assistants, Mr. Marshal Hale, Jr., the Deputy Chief of the branch, and Mr. George Doherty, my executive assistant, resigned with me.

My resignation was the result of a basic disagreement with Mr. Reed and with certain of the technical consultants in the Textiles,

Clothing, and Leather Goods Branch, who succeeded in getting Mr. Reed to support them, over policies which I considered would delay attainment of the production levels which must be reached before the United Nations can take the offensive in the war. I tried to speed, first, the conversion of the consumer durable goods industries and the textile industries to war work and, second, the curtailment of civilian consumption of certain metals and fibres which must be conserved with utmost frugality for military needs and the most essential civilian uses.

All of American industry, except the producers of raw materials and of armaments, is under Mr. Reed's supervision. Under him are all the civilian manufacturing industries, the very industries which must be converted at breakneck speed if we are to reach the levels of war production scheduled for the end of 1943. Mr. Reed was disposed to delay this conversion, for reasons which I considered inadequate and about which I shall have more to say later.

Since my resignation and the announcement of this committee's pending investigation, Mr. Nelson has stepped in on Mr. Reed's lagging program and has done a rapid and commendable job of forcing out stop orders requiring the conversion of virtually all civilian durable goods industries to war work. This is what I was struggling for. Unfortunately, the consummation of the all-out program which Mr. Nelson has announced rests in the hands of men who found it impossible to formulate such a policy themselves. The type of thinking which allowed pin-ball and juke-box manufacture to continue until May is not a Jap-stopping type of approach.

The major disagreements to which I refer have been over the conservation of wool, the rate of conversion to war work of the refrigerator, radio, carpet, upholstery, automobile fabric, tire cord, and nylon industries, and the delays in the allocation of cotton textile manufacturing capacity to war and essential civilian production. I shall review briefly typical situations.

#### CONSERVATION OF WOOL PROGRAM

Mr. GUTHRIE. Wool, like rubber, hemp, and tin, is a commodity for which we have always been dependent to a large extent on far eastern sources of supply. Early in September of 1941 S. P. A. B. ordered that a stockpile of 1,000,000,000 pounds of wool be built up as quickly as possible.

Two means were available to accumulate the billion-pound stockpile. One was to increase imports, the other to restrict civilian consumption.

The direction of the wool program was at that time in the hands of Mr. J. A. Rice of the A. D. Julliard Co., manufacturers of cotton and wool goods, who was also serving as adviser to the armed services on all matters of textile procurement, and Mr. Kenneth Marriner, an officer and owner of a Boston firm of wool merchants and topmakers, who was then spending about 2½ days a week in Washington. From the time I became branch chief until after Pearl Harbor neither of these men submitted to me any program or recommendation for the curtailment of the civilian use of wool. In fact, in the last quarter of 1941 civilian consumption of wool reached an all-time high. Wool was being consumed at a rate of 700,000,000 pounds per year com-

pared with a 10-year annual average of 550,000,000 pounds. With civilian consumption unrestricted, a stockpile of less than 200,000,000 pounds had been accumulated when the war in the Pacific began.

Shortly before Pearl Harbor I questioned Mr. Rice, in the absence of Mr. Marriner, about the need for action to conserve wool. He replied that no action was necessary since we were "over the hump on procurement" and urged me not to take too drastic a view of the wool situation. Immediately after Pearl Harbor I directed Mr. Marriner to prepare an order severely curtailing the civilian consumption of wool, to go into effect as soon as the approval of the O. P. M. clearance committee could be secured. He objected very strongly, arguing that wool supplies were plentiful and that any shortage could be relieved by increasing shipping. I took the position that we should base our policy on the expectation that the supply from Australia might be completely cut off and that bottoms from the other principal areas from which wool is imported, South America, and South Africa, would be extremely scarce and perhaps not available at all much of the time. Finally, I said that since military requirements would exceed the whole domestic clip by a substantial amount in 1942 and by a still larger amount in 1943, we should cut civilian consumption to the very bone, relying upon the large stocks in the hands of the consumers, distributors and cutters-up, with rationing of clothing at the earliest possible date, to minimize the civilian hardship. The Civilian Supply Division, the primary function of which is to assure essential civilian supplies, concurred in this view. Mr. Sommaripa, Chief of the Textile Division of Civilian Supply, testified very accurately on this point before the House Military Affairs Committee.

Mr. Marriner did not agree. He prepared recommendations for a report to S. P. A. B. on wool which urged that reliance be placed upon an increase in imports to make our position secure. I refused to approve these recommendations. Under my direction, a wool conservation order was finally drafted and made effective on January 4 which cut civilian consumption in the first quarter of 1942 from 175,000,000 pounds per quarter to between sixty and seventy million pounds.

When the terms of the second quarter order came up for discussion early in February Mr. Marriner urged as usual that the situation was not as serious as we apparently believed and that no further cut in civilian consumption was necessary. Meanwhile the military situation in the Far East had deteriorated, and shipping from South America had become much tighter. Mr. Marriner argued, as he had often before, that the curtailment of civilian consumption would result in the dismantling of equipment and loss of labor in the industry which would later be needed to meet substantially increased military needs.

The CHAIRMAN. Mr. Guthrie, just to make the record clear, I wish you would identify Mr. Marriner. Who is he?

Mr. GUTHRIE. He is Chief of the Wool Section.

The CHAIRMAN. But where did he come from before that?

Mr. DOHERTY. He is an officer and owner of the Boston firm of wool merchants, Francis Willey & Sons.

The CHAIRMAN. Proceed.

Mr. GUTHRIE. I took the position that if such increased needs were anticipated, rather than release more wool for civilian use, we should greatly accelerate procurement now, and build large stockpiles of



military fabrics, clothes, and blankets. I directed him to prepare an order effecting a further cut in civilian consumption and a recommendation for a stockpiling program to the armed services. Such an order was drafted and put into effect, and our recommendation was accepted by the armed services.

There was, however, an urgent wool conservation problem which was still unsolved. One way to save new wool is to blend it with other fibers, particularly rayon, cotton, and wool waste. Without such blending, and in view of the very small amount of new wool available for civilian purposes, a serious shortage of clothing for civilians was in prospect, perhaps as early as 1943. I had been receiving reports from the industry and from trade-union officials that despite the first quarter curtailment there had been little progress in blending, partly because cotton yarn and rayon were difficult to obtain and partly because, with stocks of fabrics in the hands of cutters-up reportedly very large, many manufacturers were unwilling to risk putting adulterated fabrics on the market in the face of uncontrolled competition from other mills. Many mills, particularly those with large Government contracts, were evidently willing to use their civilian wool quota to make 100-percent new wool fabrics. On the other hand, mills with little Government business would be under pressure to adulterate too much. Without controlled or mandatory blending we faced the risk, therefore, not only of a serious shortage of civilian wool products, but also that any such products made would use in part more wool and in part less wool than is necessary to provide needed warmth; in either case wool would be wasted. For these reasons mandatory blending has appeared to me to be one of the most acute conservation needs in the textile field. I directed that an order be drafted allocating rayon staple fiber to the worsted industry, and I asked Mr. Marriner to give consideration to provision in the second quarter order for some kind of mandatory blending. The Labor and Civilian Supply Divisions and the Bureau of Industrial Conservation recommended this very strongly.

Mr. Marriner then, as always, expressed his opposition to any kind of mandatory blending. He has since said that he opposed only what he calls "industry wide" blending, under which fixed percentages of substitute fibers would be required in all fabrics produced by the industry, a plan which, so far as I know, was proposed by no one. He took the position that the mills would do a good job themselves, without control, saying that anyway he thought we had no business sitting in Washington like commissars, telling the mills how to run their business. He took this position very strongly, and with considerable hostility, and made it plain that he was not disposed to take any action, whatever I might say. At the same time I was receiving definite indications of lack of support from Mr. Reed. Because of this the second-quarter order was drafted without any provision for mandatory blending.

The Labor Division was not satisfied. Its representative on the clearance committee, Mr. Lester, took the matter to Mr. Knowlson, and Mr. Knowlson, in a meeting with Mr. Eiseman, Mr. Lester, and Mr. Doherty—Mr. Eiseman, there, is representative of Civilian Supply.

The CHAIRMAN. And who is Mr. Knowlson?

Mr. GUTHRIE. Mr. Knowlson has charge of all the industrial branches.

Mr. CLARK. My understanding is that Mr. Knowlson is Director of the Division of Industry Operations; is that correct?

Mr. GUTHRIE. That is right.

Senator BURTON. As I understand it, then, Mr. Nelson is the head of War Production Board; under him comes Mr. Knowlson, the head of the Division of Industry Operations; under him comes Mr. Reed, head of the Bureau of Industry Branches.

Mr. GUTHRIE. Yes. Mr. Knowlson delegated to Mr. Reed all the authority he had so far as the Industries Branches go.

Senator BURTON. And under Mr. Reed came yourself as Chief of the Textile, Clothing, and Leather Goods Branch; and under you came Mr. Marriner, of the Wool Section.

Mr. GUTHRIE. That is correct, sir; Chief of the Wool Section.

Senator BURTON. Then that means below you Mr. Marriner, and above you Mr. Reed, were opposing your policies, and you made your appeal at this point to Mr. Nelson, above all of them?

Mr. GUTHRIE. That is correct. I didn't make the appeal myself, but the Labor Division made it for me.

Mr. CLARK. Mr. Guthrie, a few moments ago you said that you were receiving definite indications of lack of support from Mr. Reed. What were those indications?

Mr. GUTHRIE. I refer to that later in the statement, Mr. Clark.

Mr. CLARK. Do you think you could tell us now?

Mr. GUTHRIE. I can tell you now, but I think it is covered adequately here. If you will let me read the statement, we will get it and we can go back to that.

The CHAIRMAN. Proceed with the statement and we can ask questions afterward.

Mr. GUTHRIE. This commitment was made in the form of a statement released with the wool order in which we said that we would shortly request the mills to submit blending programs; the statement also said that on the basis of these programs and other information, a mandatory blending order would be issued to apply to all fabrics delivered after September 15.

Despite this clear instruction and the commitment contained in the statement—that was a commitment from Mr. Knowlson—Mr. Marriner refused to request the mills to submit programs. A week after the issuance of the statement, Mr. Marriner informed Mr. Doherty that the letters had not been sent out because in the first place he considered that the supply of wool was ample; in the second place he thought the mills could be relied upon to do a satisfactory job without control; and in the third place he proposed to wait until the situation in the branch had been corrected before doing anything. By that it seemed clear to me that he meant pressure was already being brought to get rid of me as chief of the textile part of my branch.

Within recent weeks, since this committee announced its investigation, the mandatory blending letters that I insisted upon and that Marriner refused to send, have finally gone out, accompanied now by a press story indicating the pending need for adulterating soldiers' uniforms. In my opinion the civilian supply should have been adulterated long before there was need of talking about saving wool in soldiers' uniforms. But the mills are still free to use wool for the manufacture of 100 percent pure woolen suits for civilians.

At my request, Mr. Reed had participated in one of the staff meetings at which the wool order had been thoroughly discussed, and Mr. Houghton, his deputy, had been present at another. Early in February, I reported to Mr. Reed that I thought Mr. Marriner should be replaced because of his persistent dragging of his feet on the conservation and conversion problems. About 2 weeks after the issuance of the second quarter wool order, issued February 25, Mr. Houghton, Mr. Reed's deputy, informed me that I was being relieved of the supervision of the textile industries including the wool industry.

The direction of the wool program thus remains in the hands of a man who has consistently opposed drastic action to conserve wool; who stated in the presence of several members of the textiles branch that he was in Washington to represent his company and the woolen industry; who reported to a congressional committee only 3 weeks ago that a shortage of wool positively did not exist, despite the fact that, according to his own testimony, our assured supplies of wool will fully clothe an army no larger than 3,600,000 men, and only through 1943, without any allowance whatever for civilian requirements and without allowing a pound for the requirements of our Allies. This would leave civilians in the same position with respect to wool that they are in with respect to rubber.

Senator BALL. Mr. Guthrie, may I interrupt? You make a pretty serious charge there that "Mr. Marriner stated in the presence of several members of the textile branch that he was in Washington to represent his company and the woolen industry." Did he say that in your presence?

Mr. GUTHRIE. He said that in the presence of Mr. Tom McKinney and Mr. George Westberg. Mr. McKinney and Mr. Westberg told Mr. Doherty and Mr. Hale and myself.

Senator BALL. Tom McKinney; and what is the other name?

Mr. GUTHRIE. George Westberg.

Senator BALL. Are they here?

Mr. GUTHRIE. They are here in Washington.

Mr. CLARK. Can you identify them?

Mr. GUTHRIE. They are both in the Cotton Section of W. P. B.

Mr. CLARK. Do they hold official positions?

Mr. GUTHRIE. Yes, sir; they are both consultants. Mr. McKinney is now Chief of the Cotton Section, I think.

The CHAIRMAN. Is that a prevalent feeling in the War Production Board, that these fellows, such as Marriner, are here to represent the industry and the people at home that they work for rather than the Government of the United States?

Mr. GUTHRIE. Senator Truman, I don't know whether that is prevalent or not, but I am sure that that is the case in a great many situations. I am afraid it is.

Senator BALL. Were you serving on a dollar-a-year basis?

Mr. GUTHRIE. Yes, sir.

Senator BALL. Was your company still paying you?

Mr. GUTHRIE. I have no company, sir; I was doing it completely on my own.

Mr. CLARK. I think at this point we should identify Mr. Marriner a little more fully. Mr. Marriner is a dollar-a-year man, loaned to the War Production Board by the Francis Willey Co., a division of Winslow Bros & Smith, Boston, Mass. From the Willey Co. of



which he is a general manager and director, he receives a salary of \$120,000 per annum.

Mr. GUTHRIE. Moreover, if a larger sized Army is to be supplied, Mr. Marriner says, the military specifications for woolen fabrics will have to be adapted to the available wool and waste supply. This means shoddy garments for soldiers, while well-to-do civilians are allowed to buy unadulterated, 100-percent virgin wool garments.

Mr. Marriner has also pointed out that for some time it has been possible for civilians to stock up with woolen clothes against the time of shortage, and that sales of woolens are still being advertised. Working people and families with growing children cannot fill their closets as you or I might do. And if accumulation against the day of shortage has been a good policy for civilians, it would have been a still better policy for the Government. Mr. Reed apparently thought that Mr. Marriner was right and that I was wrong on these issues.

Senator BALL. Mr. Guthrie, do I understand you to say although these mandatory blending orders have been drafted, that the industry is still making a 100-percent wool fabric for civilian use?

Mr. GUTHRIE. Yes, sir.

Senator BALL. When are the orders effective?

Mr. GUTHRIE. The mills were instructed to submit programs. Isn't that the technique?

Mr. DOHERTY. That is correct; yes. It is contemplated that an order will go into effect to apply to fabrics delivered after September 15. At the time Mr. Knowlson issued the directive to us, he was very impatient with the technical difficulties that Mr. Marriner's section had referred to. He said, "I don't see why we can't do this thing by March 31. Get some technicians down who can do it." But Mr. Marriner was very strongly of the opinion that we couldn't do the technical job until the third quarter.

Senator BALL. In other words, while you are contemplating diluting the wool to make uniforms, clothing for the soldiers, we are still going ahead and making 100-percent wool fabrics for civilian use?

Mr. GUTHRIE. That is right, Senator.

#### CONVERSION OF COTTON-TEXTILE INDUSTRY'S CAPACITY TO WAR PRODUCTION

Mr. GUTHRIE. A very considerable part of the cotton-textile industry's capacity is now being used for the production of war material, but this high proportion has only been obtained after months of indecision and delay.

The role the textile industries, and particularly the cotton-textile industry, should and must play in the war economy has not been clearly understood. Unlike the conversion of other industries to the production of ordnance, aircraft, and tanks, the conversion of the textile industries to war work required very little adaptation of existing equipment, negligible new equipment, little training of labor, negligible amounts of scarce materials. These industries were prepared to take on war tasks at the start; their labor and equipment could have been fully mobilized in the first months of our preparation for war. They were not fully mobilized. They should have been plunged up to the hilt in war work in the initial stages of the war effort, because, before the peak of that effort is reached, they will almost certainly be called upon to release a large part of their labor force to the Army and

to the expanding arms industries. But they were not. Even now, while textile capacity as a whole is overcrowded, large segments stood idle on March 14.

Senator BALL. Just how does that happen, Mr. Guthrie?

Mr. GUTHRIE. The carpet industry is an example of that. They can't get jute and their wool will be curtailed, and they have looms. Those looms will be converted to make duck, which I refer to later, by the way. I go into that later. I think you will catch that, Senator, if I may proceed.

The failure to conserve textile labor and plant capacity is as costly a mistake as the failure to conserve the raw fibers like wool, hemp, and silk. Just as before the war in the Pacific began, the stockpiling of imported raw materials was urgently needed, so in this phase of the war economy the large-scale stockpiling of finished textile products is of the utmost importance.

After provision for such stockpiling, the materials and capacity remaining in the industry must be directed toward the satisfaction of the more urgent consumer needs. Here the failure to plan is even more conspicuous. As more and more drastic conservation measures were applied to the imported fibers, such as silk, wool, hemp, and jute, an increasing burden was placed on cotton-textile capacity. That capacity was estimated at 12,000,000,000 square yards per year, against estimated requirements of 15,000,000,000 yards. The shortage made it urgently necessary not only to determine the military requirements as far ahead as possible, but also to rank civilian needs in the order of their importance, and allocate each loom in the industry to the most essential military or civilian use to which it could be put. Months ago I directed the consultant in charge of cotton textiles, Mr. Walton, to prepare such a program.

Will you identify Mr. Walton, Mr. Clark?

Mr. CLARK. Mr. Walton is the Chief Consultant, Textile, Clothing, and Leather Goods Branch, and at that time a subordinate of yours. Mr. Walton is a dollar-a-year man, loaned to the War Production Board by the Catlin Farish Co., of which he is vice president. His salary in 1940 was \$20,000, and in 1941 was raised to \$30,000, which he is still receiving. The Catlin Farish Co. is engaged in the cotton factor business and represents numerous cotton manufacturers on a commission basis.

The cotton industry is represented in the War Production Board by Walton, Proctor & Rice; is that correct?

Mr. GUTHRIE. Yes, sir.

His inability to complete such a program within a reasonable time led to my decision, early in March, to make him my deputy in an advisory capacity without any executive responsibilities, replacing him as Chief of the Cotton Section. Mr. Reed approved this, but Mr. Walton refused to accept the change. Coincident with his refusal, Mr. Houghton, Mr. Reed's deputy, informed me that the Branch was to be split in two and that I might continue as Chief of the Clothing and Leather Goods Branch.

As I have said, there are, despite the over-all shortage of textile capacity, certain branches of the textile industry which are without sufficient war work. These are, principally, the carpet industry, which has had its supply of wool and jute substantially reduced, the up-

holstery and drapery industries, and the manufacturers of automobile fabrics and of tire cord. The looms in these industries could be used to produce textile products which are extremely scarce, such as cotton duck, a shortage of which now exists, for certain industrial products. These looms have not been used for such purposes. Recently orders for about 10,000,000 square yards of duck have been placed with mills in this category, but this is a small fraction of their total capacity, and the orders placed with the carpet industry are an especially small fraction of its capacity. Instead of producing duck, the carpet industry has been manufacturing an unessential product, and using, besides wool, an imported raw material, of which a severe shortage is impending—namely, jute.

The failure to convert these industries is attributable partly to the failure of my consultant on duck, Mr. James Proctor, to prepare the programs for their conversion, which I directed him to prepare and partly to the unwillingness of the Procurement Advisor on Textiles, Mr. J. A. Rice to recommend negotiated contracts with these mills at prices which might run as high as 50 percent above prices paid the regular manufacturers.

Mr. CLARK. I don't think we have identified Mr. J. A. Rice. Mr. Rice is a dollar-a-year man, loaned to the War Production Board by A. D. Julliard Co., of New York City, by which company he is employed as a sales manager. The Julliard Co. is engaged in the manufacture of cotton fabrics and is a factor for numerous cotton manufacturing concerns. Mr. Rice is special adviser on textiles, Office of Procurement Advisory Specialists, Division of Purchases, War Production Board. As I understand, he was formerly liaison officer between the office of the Quartermaster General and the Textile Branch of the War Production Board at the time of your resignation?

Mr. GUTHRIE. That is correct, sir.

Mr. CLARK. Was he responsible, as liaison officer, for advising the War Production Board of the Military requirements of the War Department?

Mr. GUTHRIE. That is right.

Mr. Rice's position was that the military requirements were military secrets until bids were invited. By that time we could read about them in the newspapers. The idea that the needs which the War Production Board had the responsibility of meeting were military secrets from us, and that we must plan for them by the guesswork of our own experts, never seemed very satisfactory to me. This was particularly the case when Mr. Rice consistently disparaged the forecasts produced by the War Production Board's Statistics Division. Before another committee he has testified that this liaison was not his responsibility. But the Division administrative order of February 18 specifically told the branch chiefs to obtain information concerning the requirements of the armed services in the main from the Chief of the Bureau of Industry Branches—Mr. Reed—and from representatives of the Division of Purchases—Mr. Rice in our case—"who will provide the principal liaison between the branch and the Government procurement agencies."

Senator BURTON. Before you leave the matter of cotton duck, can you give us some impression of the extent to which cotton duck is required as a military item?



Mr. DOHERTY. I think the present estimates are for 200,000,000 square yards for a half year; 400,000,000 square yards a year.

Senator BURTON. For what typical uses?

Mr. HALE. Tents and canteens.

Mr. GUTHRIE. Covers for the wagons; trucks.

Mr. HALE. Some packing equipment.

Mr. GUTHRIE. In addition, there is an enormous necessary civilian use; it is hard to say where civilian needs leave off and military needs begin; it is hard to tell the difference between the two.

Senator BURTON. But as a military need it is a commonly known and largely used element of military equipment, and the need increases with the increase in the size of the Army? When you double the size of the Army you double the need for this material?

The CHAIRMAN. And you also increase the need for cotton duck when the Army goes into the field, because they use is principally to make tents out of.

Mr. GUTHRIE. Yes, sir.

Mr. CLARK. In that connection, you have not mentioned Mr. James Proctor as yet.

Mr. GUTHRIE. No; we haven't identified Mr. Proctor as yet. Mr. Proctor was formerly vice president of Wellington Sears.

Mr. CLARK. What is their business?

Mr. GUTHRIE. Cotton manufacturers; I think the largest manufacturers of duck in the United States.

Mr. CLARK. And was he a dollar-a-year man?

Mr. GUTHRIE. He is a dollar-a-year man, loaned by Wellington Sears, as I understand it.

#### CONVERSION OF NYLON INDUSTRY'S CAPACITY TO WAR PRODUCTION

Mr. GUTHRIE. All the nylon produced in the United States now is going into yarn for parachutes. The parachute requirements, plus certain other military requirements, will exhaust the nylon capacity of the country at least until the end of this year. This capacity was not converted fully to the production of military yarns until February. Before that I had been attempting, without success, to obtain information about the military requirements for nylon through Mr. Rice, W. P. B.'s advisor on textile procurement to the armed services. No silk had come into the country since last summer; the supply was rapidly being drawn down. For many of the purposes for which silk was used, nylon was the best substitute. It was clear even from very scant information about requirements that before very long we should have to begin to make this substitution.

Since nylon was being used principally for hosiery, and rayon was available to replace it in this use, it seemed to me to be desirable to stop production for civilian purposes and begin stockpiling the yarn for parachute and other military purposes. Such stockpiling was determined to be technically feasible but Mr. Rice and Mr. Walton advised me against this. Mr. Rice continued to advise against it until early in February, when he informed me that the Air Corps was demanding the entire nylon capacity through the middle of 1943. This sudden absorption of the entire nylon supply made it impossible—at least until my resignation—to get very small quantities of nylon bristles required—in default of hog bristles

which are normally imported from China—for such essential civilian purposes as tooth and paint brushes. Given any intelligent planning, nylon production would have been converted to military purposes long before the 1st of February and the fiber stock piled if Army and Navy orders were not immediately available. The failure to do so is a typical failure to plan production in advance of requirements or to make decisions contrary to the interests of civilian industries well before the need for doing so attained maximum urgency.

Mr. Rice has since testified that nylon capacity through 1943 will be 100 percent in excess of combined military requirements. This estimate reflects the fact that nylon capacity will be increased from about 10,000,000 pounds per year to 20,000,000 pounds in the first quarter of 1943. In February, when the Air Corps requirements were announced, I encouraged this expansion of capacity, and assisted the du Pont Co. to obtain higher preference ratings needed to get the materials for the expansion, on the understanding that the additional capacity would be needed for military purposes. If it is now quite clear that the additional capacity will not be needed for these purposes, the expansion should not be undertaken, because it would use critical materials for nonmilitary production.

Whether or not this expansion is necessary, the complete conversion of nylon at a much earlier date than February would have been prudent. Production is concentrated in a single plant; the civilian requirements are unessential, particularly in view of the generous allocation of rayon to the hosiery industry; and the Joint Army and Navy Materials Committee would agree, I think, that military requirements are more likely to increase than to decrease.

#### CONVERSION OF REFRIGERATOR INDUSTRY'S CAPACITY TO WAR PRODUCTION

Mr. GUTHRIE. When I was appointed Assistant Chief of the Bureau of Industry Branches on January 25, I assumed, from what I had read in the paper, that these industries were fairly well converted to war work. I was shocked to learn that the conversion of most of the industries under that branch to war work had been greatly retarded.

Among these one of the most important was the refrigerator industry. That industry had been operating since August 1941 under a curtailment of production of domestic refrigerators ranging from 29 to 45 percent of average monthly sales in the year ending June 30, 1941, depending on size of company. In January and February the cut was extended only very slightly, to from 30 to 52 percent. Thus 7 months had gone by without any substantial further curtailment. Almost no war material was being produced in domestic-refrigerator plants. Substantial amounts of steel, copper, and rubber were being chewed up in the production of refrigerators.

When I assumed responsibility for the branch a vigorous debate between the branch on the one hand and the representatives of the Civilian Supply and Labor Divisions and the Bureau of Industrial Conservation on the other, over the further curtailment of refrigerator production, was under way. The branch wished to curtail on the basis of individual appeals, permitting manufacturers to operate as long as existing inventories of raw materials and fabricated parts held out. It had already granted one such appeal, by



the Stewart-Warner Co., allowing a continuance of production until June 30. It proposed to grant continuances until June 30 to 4 other manufacturers who had filed appeals. There are only 16 manufacturers in the industry.

But the Civilian Supply and Labor Divisions protested to Mr. Knowlson, who called a conference on February 7 and directed that the refrigerator conversion be made a coordinated program, not one based on the separate consideration of individual appeals. I understand that Mr. Knowlson then said that he thought both Mr. Reed and himself should abstain from further consideration of the refrigerator problem, because their companies made refrigerators, and asked that Mr. Weiner, the Deputy Chief of the Civilian Supply Division, and I work out a solution together.

Immediately after this Mr. Reed called me and asked me to call a meeting in my office to discuss the order. He told me that a Mr. Thomas Evans would attend, explaining that Mr. Evans knew the refrigerator business thoroughly. I subsequently learned that Mr. Evans was the head of a company manufacturing commercial refrigerators in Philadelphia, that he had formerly been in the domestic refrigerator business, and that he had been for a number of years head of the domestic refrigerator section of the National Electrical Manufacturers' Association.

At this meeting, on February 10, Mr. Weiner and I followed Mr. Knowlson's instructions. I directed that the production of refrigerators would cease entirely, throughout the industry, on a given date. The date was set at March 31. This agreement was to be embodied in a formal order.

On the afternoon of the same day Mr. Reed telephoned me, saying that he wanted us to consider that Mr. Evans was the direct and personal representative of Mr. Knowlson and himself; that another meeting should be called and the refrigerator order reconsidered; and that Mr. Evans should be allowed to dictate the terms of the order. Mr. Reed has since denied giving me these instructions in his testimony before another congressional committee, but I understood them perfectly at the time, and I repeat that these were his precise instructions.

Senator BREWSTER. Mr. Guthrie, do you have a memorandum of the date of the telephone conversation?

Mr. GUTHRIE. No, sir.

Senator BREWSTER. Do you know whether Mr. Reed has?

Mr. GUTHRIE. I do not, sir.

Acting on them, and for no other reason, I called a meeting in my office on the following day at which the same men were present except that Mr. Stein appeared in place of Mr. Weiner. Mr. Evans then proposed an order which would have allowed unlimited production of refrigerators and refrigerator parts until March 31; thereafter individual manufacturers would be allowed to appeal from the provisions of the order for permission to continue production beyond March 31, and to obtain additional materials. Mr. Evans made it clear that appeals would be granted and production allowed to continue as late as June 30 or later wherever there were large inventories of raw materials and semiprocessed parts. This appeals procedure has since been characterized by Mr. Reed, with approval, as a "generous and liberal appeals procedure." I said nothing at this meeting except that the

matter had already been settled, and there was no occasion for me to comment.

The proposal to delay conversion and allow domestic refrigerator production to continue without limit until June 30 or later, simply on the basis of the existence of large inventories, was entirely different from the order which I had previously agreed on with the Division of Civilian Supply and was unacceptable to the representatives of that Division. Accordingly, as Mr. Stein, of the Civilian Supply Division, has testified before the House Military Affairs Committee, Mr. Leon Henderson wrote a strong memorandum of protest to Mr. Knowlson the following morning. Mr. Knowlson immediately called a meeting in his office at which Mr. Reed and Mr. Evans, Mr. Houghton, and myself were present. Mr. Knowlson said that a new order would have to be written which could be defended against the criticism that Mr. Henderson has made.

Mr. CLARK. Mr. Guthrie, may I interrupt and incorporate some sections of that memorandum? This is a memorandum from Mr. Leon Henderson to Mr. J. S. Knowlson, dated February 12, 1942. [Reading from Exhibit No. 489]:

You have probably been advised that as a result of our meeting on refrigerator conversion last Saturday, a further meeting was held by Mr. Guthrie on Tuesday which Mr. Weiner attended for the Division of Civilian Supply. I understand from the report given me by Mr. Weiner, that it was agreed that March 31 was to be the terminal date for the refrigerator industry except for one selected small company. This terminal date was to be a true terminal date and not merely a date beyond which operation would be under appeal rather than under formal order, since the appeal board was to operate merely as an agency to provide interim military contracts and not to extend refrigerator production. Further the order was to permit operation at a rather high but specified rate such as 150 percent. Finally the selected small plant was to continue refrigerator manufacture pending further study of long-term civilian and military refrigeration needs. To make the foregoing effective it was concluded that refrigerator stocks would be frozen.

Yesterday another meeting was held by Mr. Guthrie which Mr. Stein attended for the Division of Civilian Supply. Mr. Stein advises me that a proposal was presented at this conference by Mr. Maury—

Will you identify Mr. Maury?

Mr. GUTHRIE. Mr. Maury was Chief of the Consumer's Durable Goods Branch.

Mr. CLARK (reading further from Exhibit No. 489):

and approved by Mr. Guthrie, which is substantially divergent in several important particulars from the earlier policy determination. First, production of refrigerators between now and March 31 will be limited only by plant capacity and balanced material inventory. Production after March 31 will be prohibited as a matter of form but, as was clearly stated, the formal prohibition is without significance since the "most important thing" in the whole order is the appeal provision which permits manufacture at an unspecified rate and for an unspecified period after March 31 at Mr. Guthrie's discretion.

Then he says:

The lack of an over-all policy, which caused such vacillation, still exists.

And then he concluded by saying:

Don't you agree that we will all get along more effectively if the branches concentrate on procuring materials for industries within authorized limits and on conversion of every possible plant to war production while our people concentrate on the minimum needs of the civilian economy and the number of each type of item that will make the best use of the available scarce materials, man power, and facilities? I should like to see the refrigerator limitation and

conversion program worked out with that division of responsibility. Please let me know what you think about this.

The CHAIRMAN. That whole memorandum will be placed in the record at this point.

(The memorandum referred to was marked "Exhibit No. 489" and is included in the appendix on p. 5283.)

Senator BALL. Mr. Guthrie, did you approve this revised order dictated by Mr. Evans?

Mr. GUTHRIE. Technically I approved it because I was instructed to do so, but Mr. Stein, whom I had never met before, representing Civilian Supply in Mr. Weiner's place that morning, indicated he would send a memorandum like this to Mr. Henderson; that he wouldn't stand for such a disgraceful order going through, so I felt very secure in my position and telephoned Mr. Stein later.

Senator BALL. As I go back over your statement, Mr. Knowlson had told you on February 7 or 8 that he wanted you and Mr. Weiner to decide on this order, that he and Reed would stay out of it.

Mr. GUTHRIE. That is right.

Senator BALL. And then you called this meeting and agreed on an order, and later Mr. Reed comes back and tells you that Evans should dictate the order.

Mr. GUTHRIE. That isn't quite the sequence. Before we could have our meeting Mr. Reed had sent for Mr. Evans, or Mr. Evans appeared on the scene, and Mr. Evans sat in at the very first meeting; yes, sir; and at that meeting Weiner and I agreed on the kind of order we thought should be put into effect. When Reed found out that it wasn't the kind of order that Evans wanted he instructed me to have another meeting the following day and let Evans dictate. At that time Mr. Stein came to the meeting, and I was delighted for Mr. Stein to send that memorandum.

I want to call your attention to two points.

Senator BALL. May I raise one point, though? You didn't get any direction from Mr. Reed in writing regarding Mr. Evans' dictating the order?

Mr. GUTHRIE. No, sir.

Senator BALL. In view of the fact that Knowlson, who was Reed's superior, had definitely said that he and Reed were to stay out of this, weren't you in a position where you should have carried it up to Knowlson, or at least insisted that Reed put that in writing?

Mr. GUTHRIE. Mr. Reed said that Mr. Evans should be considered as the direct representative of Mr. Knowlson and himself.

Senator BALL. But that conflicted with what Knowlson had said a day or two before.

Mr. GUTHRIE. Yes.

The CHAIRMAN. Proceed, Mr. Guthrie.

Mr. GUTHRIE. There is one item in the memorandum I want to call your attention to—that is Mr. Henderson's memorandum. He said that the appeals would be passed upon by me. That isn't the case. They would be passed upon by the branch chief and would not have been passed upon by me. I wouldn't have had control of appeals. If I had, I wouldn't have worried so much about the order because I wouldn't have allowed the appeals.

Mr. CLARK. I think at this point we should also identify Mr. Reed. Mr. Phillip Reed is serving on a dollar-a-year basis with the War Production Board as Chief of the Bureau of Industry Branches. He is chairman of the board of directors of the General Electric Co. from which he receives a salary and bonus of \$120,000 per annum.

The CHAIRMAN. Proceed, Mr. Guthrie.

Mr. GUTHRIE. The result was that we drafted an order which was substantially the same as the one agreed upon before Mr. Evans appeared upon the scene; it differed only in that production was to be stopped on April 30, instead of March 31. This order was issued in a few days.

It has been said that the refrigerator industry was already 70 percent converted to war work when I resigned, but as Mr. Hammersley, the Chief of the W. P. B. Refrigerator Section, stated in the Labor Advisory Committee meeting on February 27, this was 70 percent of single-shift operation, and it reflected not actual conversion to war work but only orders placed and orders "expected." It is an "on order" calculation. The Frigidaire Division of the General Motors Co. is the largest manufacturer of refrigerators. The production of war material in the refrigerator plants of the Frigidaire Division had scarcely begun when I resigned. In the Frigidaire plant at Dayton there are three production lines, all of which are being operated one shift on civilian work. Two of these production lines could be torn out, and civilian refrigerators produced on the third, operating three shifts. Frigidaire, I am told, accounts for 25 percent or more of the refrigerator industry's entire production. Throughout the industry no labor-training programs have been instituted to give workers the different skills required when refrigerator plants start making propellers, gun mounts, searchlight units, ammunition shafts, cartridge cases, bomb-rack assemblies, and other military products. These training programs are being delayed until the workers have stopped work on civilian production, and this will mean a delay in getting into military production.

So much for refrigerators.

#### CONVERSION OF CONSUMER DURABLE GOODS INDUSTRIES' CAPACITY TO WAR PRODUCTION

Mr. GUTHRIE. From my brief experience in consumers' durable goods—I was appointed on January 25 and removed about March 1—it is my belief that the conversion of the consumer durable goods industries in general has been inexcusably retarded. That situation continued until after this committee announced its present investigation and Mr. Nelson stepped in and forced out a great mass of conversion orders.

Senator BURTON. May I get those dates clear? You served from January 25 to March 1 in what capacity?

Mr. GUTHRIE. I was acting in a dual capacity, sir. I was Chief of the Textile, Clothing, and Leather Goods Branch, and also assistant to Mr. Reed. As assistant to Mr. Reed, I also had responsibility for food supplies, consumer durable goods, and several smaller branches.



Senator BURTON. That is the picture I wanted to get straight. You were Chief of the Textile, Clothing, and Leather Goods Branch from what date?

Mr. GUTHRIE. From early in September.

Senator BURTON. September 1941?

Mr. GUTHRIE. From September 1941 to March 14, 1942.

Senator BURTON. And you were Assistant Chief of the Bureau of Industry Branches, which brought in the refrigerator and those things, only from January to March?

Mr. GUTHRIE. That is correct, sir.

Even more time was lost in ordering conversion in the radio industry. In January the radio industry was producing large numbers of civilian sets and using up a number of scarce materials, including aluminum, copper, and steel. Substantial orders had been placed with the industry by the armed services for the production of Signal Corps, detection, and other radio equipment but these contracts were highly concentrated in a few firms. There had been little subcontracting. Factories that had been engaged principally in assembling civilian radio sets had not been brought into war production. It seemed to me that a more substantial curtailment of civilian radio production than was then contemplated would expedite the process of conversion. It seemed to me also that it was inexcusable to allow aluminum to go into the manufacture of an unessential civilian product when our aircraft factories were producing at less than capacity for lack of aluminum. The aluminum allotted to radio production in January and February was a very small fraction of the total aluminum production but it was enough to make three heavy bombers per month or many times that number of pursuit planes. I had been constantly impressed with the need of saving relatively small quantities of the scarcest material wherever possible so as to effect a large aggregate saving. For these reasons, I directed that the March allocation of aluminum to the radio industry, which had already been made, be withdrawn and that the production of civilian sets cease at a very clearly date to be decided by the branch chief and the head of the Radio Section. My decision to withdraw the allocation was overruled subsequently, and the curtailment order which was issued allowed production to continue until April 22, with a provision that equipment on which work had been begun prior to April 22 could be completed. In other words, the principle of allowing the existence of large inventories of work in process to control the rate of conversion, which Mr. Reed wished to apply to the refrigerator industry, was actually applied to the radio industry. I think, too, that the committee will find that this principle was adopted in fixing termination dates for many other consumer industries.

On March 16, the next working day after my resignation, Mr. Robert Nathan reported in a memorandum to Mr. Nelson<sup>1</sup> that although all of the raw materials, most of the labor, and a substantial proportion of the machinery in the durable-goods industries could be used for war purposes, only the automobile industry had been directed toward

<sup>1</sup> Exhibit No. 490, *infra*, pp. 4977-4978.

complete conversion; other areas had just begun to convert. Hardships on the industries, such as temporary unemployment, melting down of processed material, and other factors he declared to be irrelevant in an all-out war effort. "Complete cessation of durable goods for consumers," he said, "involves insignificant hardships relative to defeat at the hands of the enemy. Normal production of the durable goods industries must be ruthlessly ceased. The industries will not engage in an all-out conversion until they are absolutely closed."

This is the position which I took while I was in charge of the Consumers' Durable Goods Branch. This is the position which Mr. Nelson took last week when he announced that by May 31 production of virtually all metal-using consumer goods would be shut down for the duration of the war. But it is emphatically not the position which Mr. Reed took in February when he wished to delay conversion of some of the largest consumer-goods industries until inventories of materials and parts were used up, under "generous and liberal" procedures for hardship appeals.

It has been my position that the speed of curtailment and conservation must be geared to the speed of our enemies, and not to the convenience of American business. We can't fight a war without hurting anybody, and the sooner we realize that, the better. Battles cannot be won without losing blood, and without losing business. We Americans, all of us—soldiers, workers, and businessmen—must show that we can take it.

The CHAIRMAN. Mr. Guthrie, I wish you would give us a little more specifically just what your business has been before you came to Washington.

Mr. GUTHRIE. I owned my own store, a department store in Paducah, Ky., which I sold in 1938. I owned it and ran it from 1911 until 1938.

The CHAIRMAN. What was your business when you came here, then? You were not in business?

Mr. GUTHRIE. No; I wasn't in any business when I came to Washington.

The CHAIRMAN. You had retired?

Mr. GUTHRIE. That is correct, sir. I had no active connection, although I was a director in three corporations—the Allied Stores Corporation, the Childs Co., and the White Sewing Machine Corporation—and I might say that when I was given responsibility for consumers' durable goods, I immediately resigned from the board of White Sewing Machine Corporation and sold my common stock.

The CHAIRMAN. Are you receiving any salary or have you been receiving any salary from any of these corporations while engaged in Government work?

Mr. GUTHRIE. No, sir; I have never received a salary from any corporation at any time, except my own personally owned real-estate corporation.

Senator BREWSTER. I gather that you feel that during this past month there has been a considerable acceleration of the conversion movement?

Mr. GUTHRIE. Yes, sir.

Senator BREWSTER. So that you feel your sacrifice has perhaps not been entirely in vain?

Mr. GUTHRIE. I feel very much that way, Senator.

Senator BREWSTER. Do you know whether Wellington-Sears are the only producers of aircraft wing fabric?

Mr. GUTHRIE. I couldn't say, sir, whether they are the only ones or not.

Mr. DOHERTY. I don't know about that.

Senator BREWSTER. That is all.

The CHAIRMAN. Senator Ball?

Senator BALL. Mr. Guthrie, I would like to get the events that immediately preceded your resignation a little straighter in my mind. You resigned when? March 14?

Mr. GUTHRIE. That is correct, sir.

Senator BALL. And you resigned because Mr. Reed or his assistant had informed you that your branch was to be split up?

Mr. GUTHRIE. I resigned, sir, because I thought my usefulness had ceased. There were no problems in the Clothing and Leather Goods Branches. In the Clothing Branch there were ample facilities. The Leather Goods Branch was well organized. Major Byron was doing a good job, and I felt that I would have nothing to do. The problems were in the Textile Branch, and I had—I might say here that there were some 40 consultants in the Textile Branch, and when I took over there were 7. These men from whom I met with resistance were all there when I took the branch over in September.

Senator BALL. Well, who informed you of this decision?

Mr. GUTHRIE. Mr. Houghton; Mr. Reed's deputy. Mr. Reed was in Florida.

Senator BALL. When was that?

Mr. GUTHRIE. I think that was about the 11th.

Senator BALL. March 11?

Mr. GUTHRIE. Or 12th.

Mr. DOHERTY. Twelfth.

Senator BALL. Did you then carry this protest of yours up to Mr. Reed?

Mr. GUTHRIE. Reed was in Florida, but I went to Mr. Nelson.

Senator BALL. You went directly to Mr. Nelson?

Mr. GUTHRIE. Yes, sir.

Senator BALL. And what, generally, was the purport of your conversation with Nelson?

Mr. GUTHRIE. Well, I was very much surprised to find that Mr. Nelson knew about the situation. I was startled to find that he had not talked to me or talked to Mr. Hale or talked to Mr. Doherty, but that he had talked to some of the men in the Cotton Section, or rather the particular ones to whom I refer here, and he indicated that he had heard my side, the conversion side, from them. He didn't suggest that he act immediately, but that he would make an attempt to make a real investigation. Our conversation was very pleasant. I just felt that my services were of no further use to the Government, so I went down and resigned.

Senator BALL. Did Nelson ask you to hold it up while he checked—

Mr. GUTHRIE (interposing). No, sir.

Senator BALL. The facts, which I assume you gave him then, very similar to what you have given us?

Mr. GUTHRIE. Yes; that is right. No, sir.



Senator BALL. He didn't ask you to hold up your resignation while he investigated those facts?

Mr. GUTHRIE. No, sir.

Senator BALL. Didn't he make any proposition to you at all to try to get you to stay on?

Mr. GUTHRIE. No, sir. He said he hadn't lost confidence in me and that he thought probably investigation might show that I was 100 percent right, but that he had to stand behind his subordinate, Mr. Knowlson.

Mr. DOHERTY. Mr. Reed.

Mr. GUTHRIE. It was Mr. Knowlson that he mentioned. Mr. Reed was in Florida at that time.

Senator BALL. Did you ever talk to Knowlson about it?

Mr. GUTHRIE. No, sir.

Senator BALL. I gather you were dissatisfied with this picture from almost the minute you stepped into it. Did you talk it over with Knowlson at any time?

Mr. GUTHRIE. No. Mr. Knowlson had very little, if anything, to do with the industry branches. We had a meeting when Mr. Reed was appointed, or rather when Mr. Knowlson appointed Mr. Reed, and he made it clear to the branch chiefs assembled that Mr. Reed had all the authority which had been delegated to him—Mr. Knowlson—and that Mr. Reed should be final authority so far as he was concerned.

Senator BALL. Don't you ever have conferences in the War Production Board of these various branch chiefs with Nelson or get together at lunch, or something, with Nelson and Knowlson and these top men, so that they know what is going on in all these various branches?

Mr. GUTHRIE. Reed held very frequent meetings, but in the almost a year's time I was there, only once or twice with Nelson, and at that time there was an assembly of probably five or six hundred people.

Senator BALL. But Reed held frequent conferences with his branch chiefs?

Mr. GUTHRIE. That is right, sir; yes, sir.

Senator BALL. Were these things pretty thoroughly threshed out at those conferences?

Mr. GUTHRIE. There were too many to thresh out except very generally, because, you see, he had responsibility for all of industrial America, and if you jump from the Communications Branch to Transportation, to Drugs, you cover an awful lot of territory, and it is very difficult to generalize. But I had no difficulty talking to Reed. I talked to him frequently, so that I perfectly understood his point of view.

Senator BALL. Wasn't there ever a general policy on the conversion of the durable-goods industries, even after December 7, by the War Production Board itself?

Mr. GUTHRIE. No. The first policy that I heard of was the one that was handed down on March 16 by Mr. Nathan. It was first issued after I resigned.

The CHAIRMAN. It should be in the record at this point. This is Mr. Nathan's memorandum to Mr. Nelson.

(The document referred to was marked "Exhibit No. 490" and appears in full in the text on pp. 4977-4978.)

Senator BALL. Mr. Nathan is a Brain Trust. He isn't the War Production Board. He doesn't decide the policy. He makes recommendations.

Mr. GUTHRIE. I think this memorandum has been given out to be followed as a directive or semidirective, anyway.

Senator BALL. What strikes me is that we had all this publicity in December, January, and February; everybody was saying that we had to convert; and you are telling me that there was never a policy decided by the War Production Board at the top as to how fast that conversion should proceed and what general policies should prevail.

Mr. GUTHRIE. There was no general policy, apparently, until within the past 3 weeks.

Senator BALL. You would have seen it, as a branch chief, if there were?

Mr. GUTHRIE. Oh, yes.

Senator BALL. There was no general policy addressed to branch chiefs?

Mr. GUTHRIE. No, sir.

Did either of you see such a thing?

Mr. DOHERTY. No.

The CHAIRMAN. Read this memorandum.

Mr. CLARK. This is a memorandum dated March 16, 1942, to Mr. Donald M. Nelson, Chairman of the War Production Board, from Robert R. Nathan. [Reading Exhibit No. 490:]

Subject: The Conversion of Durable Goods Industries.

The attainment of the President's objectives in 1942 depends not only on the day-to-day stepping up of production in factories, but also on day-to-day decisions being made in the War Production Board. It is important, therefore, that we reappraise what is being done in the all-important durable-goods industries. These industries provide an important pool of resources which are not being tapped sufficiently.

The 1941 production of consumers' durable goods and producers' durable goods for peacetime use (excluding machine tools) available for conversion was valued at approximately \$18,000,000,000 at cost to users. Deducting for distribution costs, the total is reduced to about \$12,000,000,000 in 1941 prices. This excludes construction and relates only to movable equipment and commodities. Certainly, all of the raw materials, most of the labor, and a substantial proportion of the machinery in these industries can be used for war purposes. Only the passenger-car segment of these industries has been directed toward complete conversion; and, even here, big producers of parts are still operating substantially in their normal lines. Other areas have just begun to convert.

The primary criterion to be applied to these industries is "Can they be utilized for producing armament?" Hardships on the industries, temporary unemployment, melting down of processed material, and other factors are irrelevant in all-out war effort. Inventories in the hands of consumers of durable goods are large in view of huge production in recent years, and essential needs can be satisfied through requisitioning or purchasing from private holders. Complete cessation of durable goods for consumers involves insignificant hardships relative to defeat at the hands of the enemy. Normal production of the durable-goods industries must be ruthlessly ceased. The industries will not engage in an all-out conversion until they are absolutely closed. Where a modest output is absolutely essential, then this output should be confined to the smaller plants in the industry.

These seem like drastic recommendations. Attempts to put them into action will be answered by saying that we need more information; that we should not proceed so precipitously without making sure that the inventory of the needed goods is sufficient or that the necessary military and civilian requirements can be fed from this inventory. Such arguments are suspiciously like the old way of evading pressing problems. To escape responsibility for action, one used to set up a commission for "studying" it in the hope that by the time the commission procured results, the pressure for action will be gone. The several demands for

statistical information that are made by the industry' branches are much in the nature of such delaying action; and it seems to me imperative to cut through red tape, in full awareness that hardships will be imposed upon various sectors of the economy and that minor errors may be made.

May I suggest, therefore, the following specific policies:

(a) Ability of durable-goods industry to produce armaments is sole consideration with regard to conversion.

(b) Conversion must start immediately wherever feasibility to produce armaments is known to exist. Positive responsibility for the conversion must be assigned to one person or agency. At present limitation orders and placement of contracts are not synchronized and the industry branches do not appear to be qualified for this responsibility.

(c) Except as expressly exempted by Chairman of the War Production Board, conversion must in no case be delayed in order to complete current fabrication or to build stockpiles of consumers' durable goods or maintenance and repair parts.

(d) Immediately on decision to convert an industry, arrangements must be made with the Inventory and Requisitioning Branch to acquire and dispose of the inventory of materials in the industry.

Mr. GUTHRIE. He suggested the policy on March 16.

Senator HERRING. Mr. Guthrie, you state here that there is a severe shortage of jute impending. That is in your statement.

Mr. GUTHRIE. Yes, sir.

Senator HERRING. Do you recall a man by the name of Crowen, or some such name, being over at the War Production Board?

Mr. GUTHRIE. Yes, sir.

Senator HERRING. There for several months at the request of the War Industry Board, trying to get permission to start a jute factory in Puerto Rico?

Mr. GUTHRIE. Yes, sir.

Senator HERRING. What was the reason he couldn't get permission to do that?

Mr. GUTHRIE. If I remember the case correctly, the Department of Agriculture made the recommendation that it not be granted—that priorities not be granted—for the machinery because they doubted very much that they could get the fiber, that it could be grown successfully down there.

Do you remember the specific case? I think I asked you to draw a memorandum on that.

Senator HERRING. Just a minute. He had the machinery all purchased in England and he had a supply of the raw material in South America to operate at least a year, according to the representations he made in the War Industry Board, which they approved down there.

Mr. GUTHRIE. I don't remember the specific instance.

Mr. DOHERTY. I think he needed some additional equipment, Senator.

Mr. HALE. Yes.

Mr. DOHERTY. And the point was that there was spinning capacity in this country to be used.

Senator HERRING. Who decided that, the spinners in this country?

Mr. DOHERTY. Well, we had a recommendation from the Department of Agriculture on the length of time it would take to increase the crop in a substantial amount.

Senator HERRING. Who is the head of that division over there now?

Mr. DOHERTY. I think we got that from the Division of Foreign Agricultural Relations.

Senator HERRING. I mean in the War Production Board.



Mr. GUTHRIE. Mr. Howe is the man who has charge. He is the Chief of the Fiber Section.

Senator HERRING. What is his business?

Mr. GUTHRIE. He is a dollar-a-year man.

Mr. DOHERTY. He is an importer of jute.

Mr. GUTHRIE. An importer of jute and burlap.

Senator HERRING. That is what I understand; and he is the one who determines whether we can manufacture it here or not. He is an importer himself. That may be the difficulty that Crowen is having. I think it is.

The CHAIRMAN. Senator Connally, do you have a question?

Senator CONNALLY. Yes; I would like to ask a question.

Mr. Chairman and Mr. Guthrie, I apologize for being late, I am very sorry. I was interested, but I had something else that demanded my time.

Mr. Guthrie, I hope you won't consider this an impertinent question. I kept up with this somewhat in the press and I rather admired your independence, or what appeared to be your independence, in the maintenance of your own views. I am wondering why you didn't stay and fight. What did you want to quit for? We need that kind of men down there, and here you hoist the flag about the second shot.

Mr. GUTHRIE. There are cases, Senator, when you can do more good on the outside than on the inside, especially when your hands and feet are completely tied on the inside.

Senator CONNALLY. Some of us might have helped you untie them if you had let us know about it in time. I am not critical, but I am just wondering, when we get a double-fisted fellow, ready to express his views and stand up and fight, why he doesn't stay in there and fight. You can't win with a fellow outside the ropes, you know.

Mr. GUTHRIE. My tools had been taken away from me pretty well, and I had very little to fight with.

Senator CONNALLY. The President is still in town; Congress is still here. You can appeal to somebody about the matter and get some action. I just regret that you didn't stay and let them carry you out on a stretcher.

Mr. GUTHRIE. Senator, if I had stayed, conditions would have been lagging along. There probably is a great deal that has happened in the past month that wouldn't have happened, and the chances are that a great many more planes, a great many more tanks, and so forth, will have been made by my leaving.

Senator CONNALLY. You think they are better off without you than with you?

Mr. GUTHRIE. Under the existing conditions, I think so.

Senator CONNALLY. Well, of course, if you feel that way, it is your patriotic duty to quit. But I am just stabbing around in the dark, because I wasn't here and didn't hear your statement.

Mr. GUTHRIE. These two men at the table with me, together with several other friends, discussed it. It wasn't a thing done hastily. It was done with one thought in mind, and that was to help the war effort. That is what we came here for.

Senator CONNALLY. Well, of course, we want unity and harmony. But we don't want it all one way. We want a little harmony on a

two-way street, and I think it is good to have a division of opinion. I don't want somebody to agree with me all the time, because the chances are they are going to be wrong part of the time if they agree with me all of the time—I mean now and then. I have made mistakes. I remember one. [Laughter.]

Mr. Chairman, I would like to interrogate the witness, but I am not familiar enough with his speech here. I will have to read it.

The CHAIRMAN. We will be glad to have you do that, Senator.

Senator BURTON?

Senator BURTON. Mr. Guthrie, I was interested in your short term of service of 6 months, which apparently ran from September to March in the Textile, Clothing, and Leather Branch, and then a dual capacity for 3 months in a broader field.

Mr. GUTHRIE. Yes, sir.

Senator BURTON. I take it your protest—and you resigned as a protest—is directed at one particular point, that is, the delay in the conversion policy and the meagerness of its scope.

Mr. GUTHRIE. That is correct, sir.

Senator BURTON. What would you say was the cause of that delay? Was it mistaken policy that can be cured now by a change of policy, or was it due to personnel which cannot be changed without the change of personnel?

Mr. GUTHRIE. I think it is a bit of both. I think that there are certain personnel that must be changed.

#### CRITICISM OF W. P. B. POLICY OF EMPLOYING DOLLAR-A-YEAR MEN

Senator BURTON. Therefore, picking up the problem as it stands now, when there has been considerable progress made with conversion, what is your recommendation to the committee as to steps to be taken to hasten the conversion, particularly in these fields with which you are so familiar due to this 6 months of service?

Mr. GUTHRIE. Well, you might have somebody else resign in about 2 weeks to keep the ball rolling. [Laughter.] I didn't mean to be facetious, Senator, but that is not a facetious answer.

Senator BURTON. I will leave it to the chairman or somebody else to inquire who the one should be. But moving from that point, is there anything other than resignations that would help the situation in those fields?

Mr. GUTHRIE. Yes, Senator. I think that personnel in W. P. B. should be more carefully chosen. The job should be set up and then a man brought in to do that particular work, a man who isn't serving probably two masters.

Senator BURTON. Yours is a definite protest against the exercise of discretion by a man who is under substantial financial obligation to a private company at the same time that he is to the Government?

Mr. GUTHRIE. That is right, sir.

Senator BURTON. Assuming, then that those persons who are under that difficulty resign, what is your recommendation as to policies that should be undertaken, particularly in the fields of conversion, if you have further recommendations now?

Mr. GUTHRIE. I made a little memorandum.

Speedy, efficient conversion to war work is a process requiring three main steps which must be highly synchronized.

1. The curtailment of production of civilian goods with the consequent curtailment of civilian consumption of scarce materials.

2. The letting of contracts, perhaps on a negotiated basis at higher prices than regular manufacturers need charge.

3. The beginning of production of war materials in the converted plants, requiring retooling, ripping out of equipment and production lines not suited to the new process, retraining of workers, the surmounting of other purely technical difficulties.

For American industry the easiest of these steps is the last and most difficult. Technical difficulties which in other countries might well prove insurmountable until a long period of time had elapsed are surmounted in a day. The hardest step has proved to be the first, the simple decision, made here in Washington through the issuance of an order, to stop civilian production.

Closely associated with the conversion problem is stock piling. Stock piling of raw materials and finished products alike means the facilitation of conversion of a later period. The first means that raw materials will be available for use when production of war material begins. The second means that an industry's labor will be freed at an earlier date than otherwise to make possible the conversion of other industries.

Senator BURTON. Then I take it that your primary point at the moment as to how the service could best be improved relates to the question of personnel and secondly to conversion policy.

Mr. GUTHRIE. That is the first thing that you have to do, to get out your orders, and that requires the personnel in the right frame of mind and with the right attitude.

Senator BURTON. Then in order to get the full benefit of your testimony and of your protest, after consultation with the chairman of the committee, I would like to ask, Who do you think should resign?

Senator BALL. It should be, who should be fired?

Mr. GUTHRIE. Well, I think, Senator, that my testimony here speaks for itself.

The CHAIRMAN. Do you think that the people who make the biggest number of radio sets and who furnish the equipment for those radio sets, and the people who make the biggest number of refrigerators and who are in this civilian business up to their eyes and who are now acting as dollar-a-year men down here, can give an unbiased view on this subject of conversion?

Mr. GUTHRIE. No, sir; I don't think they can.

The CHAIRMAN. Then, you substantially say that those gentlemen should get out and give somebody a chance who can look at it from an unbiased viewpoint?

Mr. GUTHRIE. Yes, sir.

The CHAIRMAN. All right. I think that answers the question.

Senator BURTON. I just want to press this point, then, on the question of policy. I was much impressed by your testimony with regard to cotton duck. I can't imagine any particular textile fabric, unless it be woolen fabric, that is of more importance to the Army. It is the material for all the packs and equipment that a man carries—his cartridge belt, his gas-mask container, and everything of that kind that he uses. Is there something that you could recommend that should be done now that is not being done with regard to conversion to the manufacture of cotton duck, for example?

Mr. GUTHRIE. I don't know just what has been done since March 14, but as of that date the carpet mills should have been given larger orders for the manufacture of duck. Not only would they make duck for military uses but, in case you caught up with duck, it would



release other looms in the South now making duck to make other necessary civilian or war materials.

Mr. DOHERTY. May I say something on that?

Mr. GUTHRIE. Yes. Go ahead.

Mr. DOHERTY. Their capacity to make duck has been estimated at 100,000,000 yards.

Senator BURTON. Whose capacity?

Mr. DOHERTY. The carpet industry's capacity to make duck. By March 14 they had been given contracts for a small fraction—I don't know exactly how much—of 10,000,000 square yards for the manufacture of duck.

Senator BURTON. If some of these manufacturers of cotton goods now go out of that production, what do they go into? I think it was recommended by Mr. Guthrie that someone discontinue production. When that is taken up by the cotton manufacturers, what do they do?

Mr. DOHERTY. I think they can go into making osnaburg and sheeting.

Senator BURTON. You mean linen goods?

Mr. DOHERTY. That is a type, too.

Senator BURTON. Then one concluding question, Mr. Guthrie. That related to cotton duck. Is there anything in these other branches that you supervised as a matter of policy that should be recommended at this time in order that we may produce more war goods and less unnecessary goods?

Mr. GUTHRIE. Yes. There should be a definite over-all plan for the cotton-textile industry. Each loom should have allocated to it the particular goods it should make. A complete plan should be made there. I assume that in the consumers' durable goods those orders that have been issued recently—and still, with Pearl Harbor December 7, it seems an awfully long time to May 31 to run juke boxes and golf clubs and all those things—are good ones. I don't know. They are self-liquidating.

It is my experience with industry that if there are 16 manufacturers of an article, if they are given a dead line they will all hustle to get war orders, but they are not going to do it—you wouldn't do it and I wouldn't do it and let the other 14 go ahead and make civilian merchandise, and we would lose our trade, and that sort of thing. That is just human nature. But once given a dead line, American ingenuity will go out and do a job, but that dead line must be made here in Washington and they must be given an intelligent directive. I am not sure that all of these consumers' durable goods people should be shut down. It is very possible that in each industry some one small plant might be designated, or it could be a larger one, to continue to make some civilian supplies. You can go to the other extreme. You have to be sensible about it. But at least, generalizing, 90 percent or 93 or 94 percent of all that production should be war production.

Senator BURTON. The restrictive orders now in effect for refrigerators for civilian use and for radios for civilian use are practically 100 percent now; aren't they?

Mr. GUTHRIE. Yes; right along the line.

The CHAIRMAN. Senator Connally, did you have a question?

Senator CONNALLY. Yes; one question.

Mr. Guthrie, you said something about wool supplies. Do you know what the present stock pile of wool is?



Mr. DOHERTY. We have a January 1 figure which shows that the stocks on hand in this country totaled 665,000,000 pounds, greasy basis.

Senator CONNALLY. Six hundred and sixty-five million pounds as of January 1? Have you anything later than that?

Mr. DOHERTY. We don't have a figure later than that. The stock in the Government stock pile was less than 200,000,000 pounds at that time.

Senator CONNALLY. The Government; the other is private.

Mr. DOHERTY. The other is private.

Senator CONNALLY. Is the stock pile of available woolen supplies increasing or decreasing?

Mr. DOHERTY. I think it has been increased since January 1, but of course that can't be expected to continue because shipping has been getting tighter all the time.

Senator CONNALLY. Well, that is something you can't help—shipping getting tighter. A lot of other things are getting tighter, too.

Now, on the matter of cotton textiles, can you give any reason why they are reluctant to speed up the cotton-textile manufacture? What is the trouble? Do they have a corner on it, or something? Has somebody got a corner on the cotton goods? Have we got a Cotton Textile Institute? Maybe we had better investigate them.

Mr. GUTHRIE. There is one; a very strong one.

Senator CONNALLY. Who is the head of it?

Mr. GUTHRIE. Dr. Murchison, I think, is the active motivating spirit in it.

Senator CONNALLY. Have you talked to him lately about it?

Mr. GUTHRIE. I talk to him very frequently; yes, sir.

Senator CONNALLY. What is his attitude?

Mr. GUTHRIE. His attitude, naturally, is that the Cotton Textile Institute could do the job.

Senator CONNALLY. Why don't they do the job, then?

Mr. GUTHRIE. Probably they could, but then you have the counsel for W. P. B. who wouldn't allow you to have certain contacts with them or wouldn't allow you to use the Cotton Textile Institute except under certain conditions, on account of legal entanglements and the antitrust laws, and that sort of thing.

Mr. CLARK. Are you speaking from hearsay or knowledge?

Mr. GUTHRIE. Oh, no; first-hand knowledge.

Senator CONNALLY. You still haven't answered why you thought they were reluctant to go ahead. What is the matter with them?

Mr. GUTHRIE. It is a job to be done within the War Production Board, Senator—

Senator CONNALLY. You were down there. You were in the War Production Board.

Mr. GUTHRIE. And it is just a case of laziness.

Senator CONNALLY. Who is the man who is putting the bug on them?

Mr. GUTHRIE. Mr. Walton.

Senator CONNALLY. Walton?

Mr. GUTHRIE. Frank Walton. That is right.

Senator CONNALLY. Who is the man who is putting the bug on him, Mr. Nelson? Who can wake him up? Who can get him started, crank him up?

Mr. GUTHRIE. I tried every way to get him started. He was a bottle-neck. He was very slow to do anything, wouldn't make decisions, and I thought of reinforcing him with a number of assistants. I got some 8 or 10 men to help him, and still no. And then my second——

Senator CONNALLY (interposing). Maybe you got too many to help him and they disagreed.

Mr. GUTHRIE. My second attempt was to relieve him from responsibility of all other fibers, all other textiles except cotton, and that didn't answer the question. So finally, I asked that he be removed and someone else put in his place, and that was the specific cause of my being here today.

Senator CONNALLY. That is the same Mr. Walton that they put over in wool?

Mr. GUTHRIE. He had wool at one time in the early stages.

Senator CONNALLY. You couldn't get him started?

Mr. GUTHRIE. No, sir.

Senator CONNALLY. We used to twist the nose of a mule when he wouldn't budge or build a fire under him, or something. Is there anybody over in the W. P. B. who can do that?

Mr. GUTHRIE. I tried to build a fire under him.

Senator CONNALLY. I know, but your fire went out. [Laughter.]

Mr. GUTHRIE. I went out.

Senator CONNALLY. Mr. Chairman, it seems to me that we should interrogate some of the higher-ups on this and see why they——

The CHAIRMAN (interposing). We intend to go to the bottom of it.

Senator CONNALLY. We have gone to the bottom. We should now go to the top.

The CHAIRMAN. We start at the bottom and go to the top. We will have Mr. Reed and Mr. Knowlson.

Senator CONNALLY. That is all.

The CHAIRMAN. Senator Ball, do you have a question?

Senator BALL. Yes.

Do you know whether the decision to divide up your section was carried through after you left?

Mr. GUTHRIE. I don't know, Senator.

Mr. DOHERTY. I don't think so; not yet, I think.

Senator BALL. Who succeeded you as chief of the section?

Mr. GUTHRIE. Mr. Alexander.

Senator BALL. Is he a dollar-a-year man, too?

Mr. GUTHRIE. I think so. I don't know him.

Senator CONNALLY. Your idea is that these dollar-a-year men are being overpaid; is that it?

Mr. GUTHRIE. I think they are in some instances.

The CHAIRMAN. They are not being overpaid by their private concerns, but they are being overpaid by the Government.

Senator BALL. You two gentlemen, Mr. Hale and Mr. Doherty, resigned with Mr. Guthrie?

Mr. GUTHRIE. Yes, sir.

Senator BALL. And I take it you back up his statement and the charge that he has made here, as far as you know anything about it?

Mr. DOHERTY. Yes, sir.

Mr. HALE. Entirely, sir.

The CHAIRMAN. All right, Mr. Clark.

Mr. CLARK. Mr. Guthrie, in connection with Senator Burton's question as to the progress of the conversion program, of course you would not be qualified to speak with authority about what has been accomplished subsequent to March 14.

Mr. GUTHRIE. That is correct; only what I have read in the papers.

Mr. CLARK. Would you say that Mr. Nathan's memorandum and the various curtailment orders that have been issued plus Mr. Nelson's statement of April 7, are a step in the right direction?

Mr. GUTHRIE. Yes, sir.

Mr. CLARK. Do they conform with your views?

Mr. GUTHRIE. Yes, sir.

Mr. CLARK. Then they are making progress?

Mr. GUTHRIE. Yes, sir.

Mr. CLARK. As far as the conversion problem is concerned, you were with the O. P. M. back in August 1941. Is that correct?

Mr. GUTHRIE. Late August or early in September.

Mr. CLARK. And Mr. Reed didn't come until January '42?

Mr. GUTHRIE. That is right; yes.

Mr. CLARK. So there was a 5-month hiatus there.

Mr. GUTHRIE. Yes, sir.

Mr. CLARK. What were your thoughts or what was your philosophy regarding conversion back in August 1941?

Mr. GUTHRIE. When I took over the Division, there were six or seven men there, and during that period of October, November, and December it was a case of building up an organization so that we could do something; so that we could be prepared to save war materials and to put forth our programs. From the very outset I have been what you might call an all-outer, because I have wanted—

Mr. CLARK (interposing). What do you mean by an "all-outer"?

Mr. GUTHRIE. I didn't want there to happen in my division another rubber situation, aluminum situation, or steel situation. I would much rather have had too much than to have too little.

Mr. CLARK. As I recall, your fundamental difference was with Mr. Reed.

Mr. GUTHRIE. Yes, sir.

Mr. CLARK. Did you have any fundamental differences from August to January, prior to Mr. Reed becoming chief of the Bureau of Industry Branches?

Mr. GUTHRIE. No; I never had any difficulties at all as long as Mr. MacKeachie was in charge.

Mr. CLARK. There were two schools of thought, weren't there, with regard to conversion—one prior to Pearl Harbor and one subsequent?

Mr. GUTHRIE. That is correct; yes, sir.

Mr. CLARK. Prior to Pearl Harbor you gave consideration to conserving, cutting down the civilian supply moderately. Isn't that right?

Mr. GUTHRIE. That is right.

Mr. CLARK. Giving consideration to the corresponding military needs. Subsequent to Pearl Harbor, you couldn't give much consideration to the civilian supply because you had to give primary consideration to military supplies. Has there been any lack of intelligent planning?

Mr. GUTHRIE. There is practically no intelligent planning. Of course, the whole organization has been thrown together hurriedly.

Then again, it is very difficult to generalize, because in the case of wool you have the raw product which may become very scarce; in the case of cotton you have an ample supply of raw product. Each item has to be treated differently and intelligently. It is very difficult to generalize. On consumers durable goods you can generalize, yes.

Mr. CLARK. What plan did you have, or did you submit to any of the officials of the O. P. M. or War Production Board prior to Mr. Reed's coming there?

Mr. GUTHRIE. As early as September I favored a huge stockpile of wool; later, a stockpile of cloth by the Army—not only the raw wool but the cloth; in cotton a complete plan which would embody the entire cotton textile industry. The consumer durable goods, of course, I had only in January, and that was after Pearl Harbor.

Mr. CLARK. My thought is this: As far as curtailment and all-out compulsory conversion is concerned, it is a very complex problem.

Mr. GUTHRIE. That is right.

Mr. CLARK. It is all right to have a plan, but the secret of success of the plan is carrying it into execution and having the tools and the facilities and the machinery to do it. Is that correct?

Mr. GUTHRIE. Yes, sir.

Mr. CLARK. Did you have any concrete plan that you submitted to Mr. Reed or Mr. Knowlson or Mr. Nelson in written form?

Mr. GUTHRIE. No; not in written form; but I have discussed each plan with Mr. Reed, and previously discussed them at great length with Mr. MacKeachie.

Mr. CLARK. I see. You have stated:

At the same time I was receiving definite indications of lack of support from Mr. Reed.

Will you tell us about that?

Mr. GUTHRIE. Yes. Mr. Reed sent for me just after the second wool order and just after the refrigerator matter and said that we probably couldn't work well together. He said that he thought I was suspicious of industry and probably suspicious of him. I told him that I wasn't suspicious of him at all, but that I did think that he shouldn't have anything to do with or pass judgment on any products manufactured by his company, General Electric; that I thought most dollar-a-year men were honest, but that I didn't subscribe to his theory that everyone was down here on strictly a patriotic basis and to do a job for the country. He told me that he thought that the mere fact that a man was down there and giving his services to the Government was proof conclusive of his patriotism and the fact that he was thinking only of his country and not of his personal business.

The CHAIRMAN. Do you think that the raises in salary that some of these dollar-a-year men have had since they have been down there have been due to the fact that they have been so patriotically inclined toward the welfare of the Government of the United States?

Mr. GUTHRIE. Senator, I couldn't answer that.

The CHAIRMAN. Well, Mr. Guthrie, that is all. I want to say that the committee feels that a few more actions of this sort may straighten out the War Production Board. I think you are to be congratulated on it.

Mr. GUTHRIE. Senator, I have a telegram here which I would like to submit for the record, if I may. I think you have the original of it.



The CHAIRMAN. I have no objection to that going into the record. It is a telegram from Alfred Hoffman, first vice president of the American Federation of Hosiery Workers, and he sends this telegram as chairman of the Silk and Rayon Labor Committee of the W. P. B., congratulating Mr. Guthrie.

(The document referred to was marked "Exhibit No. 491" and is included in the appendix on p. 5285.)

The CHAIRMAN. The committee will recess until 10:30 tomorrow morning when we will hear Mr. Reed, of General Electric Co.

(Whereupon, at 12:20 p. m., the committee recessed until 10:30 a. m., Wednesday, April 15, 1942.)





# INVESTIGATION OF NATIONAL DEFENSE PROGRAM

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WEDNESDAY, APRIL 15, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE TO INVESTIGATE THE  
NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:35 a. m., pursuant to adjournment on Tuesday, April 14, 1942, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman); Harold H. Burton, Joseph H. Ball, Clyde L. Herring, Ralph O. Brewster, and James M. Mead.

Present also: Mr. Charles P. Clark, acting chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Reed, you have been sworn by this committee haven't you?

Mr. REED. Last fall I appeared before this committee.

The CHAIRMAN. You have been sworn once. It is not necessary to be sworn again. You will be seated in that chair.

You have a statement you wanted to make to this committee, haven't you?

Mr. REED. Yes; I have.

The CHAIRMAN. Will you give the stenographer your name and connection for the record?

## TESTIMONY OF PHILIP D. REED, CHIEF, BUREAU OF INDUSTRY BRANCHES, WAR PRODUCTION BOARD

Mr. REED. My name is Philip D. Reed. I am Chief of the Bureau of Industry Branches of the War Production Board. In private life, I am chairman of the board of the General Electric Co.

Mr. CLARK. Will you give your compensation status please, Mr. Reed?

Mr. REED. You mean my current salary from General Electric?

Mr. CLARK. No; your status with the War Production Board and salary.

Mr. REED. I am on a dollar-a-year basis with the War Production Board. My salary from General Electric currently is \$60,000 a year. My extra compensation was \$60,000 a year, making a total of \$120,000.

The CHAIRMAN. Proceed, Mr. Reed.

## STATEMENT OF PHILIP D. REED RE ADMINISTRATION OF BUREAU OF INDUSTRY BRANCHES, W. P. B.

Mr. REED. Mr. Robert R. Guthrie's statement before this committee yesterday morning is a rehash and in part, an amplification of

the testimony he gave on March 18 and 19 before Special Committee No. 3 of the House Military Defense Investigating Committee.

Mr. Guthrie's complaints and criticisms fall into two categories: (1) Interference and obstruction by his superiors, myself particularly, in his efforts to curtail and convert the radio and refrigeration industries to war work, and (2) similar interference and obstruction, plus insubordination, on the part of certain of his associates who worked for him in the Textile, Clothing, and Leather Goods Branch of which he was chief.

I wish to call attention to certain inaccuracies and falsehoods in Mr. Guthrie's testimony and to state briefly the facts as I know them. I wish also, and this is more important, to give the committee a picture of the basic organization and policies of the War Production Board on this important subject of conversion and to report the progress that has been made to date.

The day-to-day operations of the War Production Board center in the branches. There are, in all, some 43 branches. Of these, 24, relating chiefly to manufacturing industries, are grouped within a Bureau of Industry Branches of which I am chief. An additional 14, relating to the principal strategic and critical materials, are grouped in the Materials Division; and the Production Division has 5 additional branches, which concentrate specifically on expediting production of designated military end products. Each of these branches has a branch chief. The Bureau chiefs supervise the work of the branch chiefs under them, and report in turn to the directors of the major divisions of the War Production Board. Mr. Guthrie was one of these 43 branch chiefs. In addition, as I shall explain later, he was for a brief time an assistant Bureau chief within the Bureau of Industry Branches.

The organization of these branches follows a pattern, which is illustrated by the Textile, Clothing, and Leather Goods Branch, of which Mr. Guthrie was branch chief. The branch chief, characteristically, is a business executive drawn from an industry other than those under his immediate jurisdiction. Under him, in the branch, are a number of technical experts drawn from the industries themselves. These experts are subordinate to the branch chief and, in the last analysis, can act only through him. Responsibility for decisions and major recommendations to his superiors rests with him. In addition, each branch has assigned to it representatives from the principal staff divisions of the War Production Board, notably the Labor Division, the Division of Civilian Supply, the Division of Statistics, and the Legal Division. The personnel of these Divisions is drawn largely from the universities, the professions and the ranks of organized labor. Their background is different and their slant upon problems often tends to be different from that of men drawn from industry. This we have fully recognized, and counted upon. We have deliberately organized the branch in this way so as to bring out all aspects of every problem in order that the branch chief and his superiors, in making their decisions, may have all points of view fully developed. As the committee will recognize, this is a system which can work well only if the branch chief is able to handle men and to deal with differences of opinion. It will break down when the branch chief is incompetent

to handle men, and when differences of opinion degenerate into personal issues. Unfortunately, both weaknesses developed in the case of Mr. Guthrie.

Now, a word about my own connection with these branches. On January 5, 1942, at the request of William S. Knudsen and Sidney Hillman, I undertook, as their special assistant, to take over the operation of the 14 industry branches, 10 of which had been a part of the Division of Civilian Supply, under Mr. Leon Henderson, and the other 4, including the Textiles, Clothing, and Leather Goods Branch, had been a part of the Purchases Division under Mr. Douglas C. MacKeachie. Ten days later the O. P. M. ceased to be, and on January 26, by General Administrative Order No. 2, Mr. Nelson announced the plans for the new organization. In the new War Production Board set-up the industry branches were transferred to the Bureau of Industry Branches, of which I am Chief, in the Division of Industry Operations. In the short time that has elapsed since the reorganization, these branches have been reviewed, revised, and expanded so that there are now 24 of them. Among our principal objectives has been the reclassification of the branches so that the operation of each branch can be closely and effectively directed by its branch chief. Another objective has been to give direction and focus to the work of these branches along the lines of development that our swiftly moving war production effort has taken.

In this connection, I direct the attention of the committee to Division Administrative Order No. 2 of the Division of Industry Operations. This order, issued by Mr. James S. Knowlson and effective as of February 18, 1942, gave official confirmation to our concept (under which the branches had been functioning since January) of the powers and duties of the branch chief of an industry branch and the organization through which he would work. I should like to read section 2 of this order, which is headed "Principal Task of Branch Chief":

The main task of each branch chief will be to bring about maximum use of existing industrial capacity within the industry assigned to him for the production of war material and products for essential civilian use. He will assist the industry assigned to him in every phase of its production program, including conversion, financing of new or expanded facilities, problems of labor supply, and procurement of materials and equipment.

Under section 4, which outlines the powers and duties of the branch chief, he is directed—

to ascertain the existing industrial capacity, within the industry assigned to him which can be made available for war production; and to ascertain opportunities to enlarge the productive capacity of existing plants within such industry for war purposes and for essential civilian use. When conversion is necessary to obtain maximum use of such capacity for war purposes to bring about such conversion in the shortest possible time.

I cite this because it is important to the line of inquiry which this committee has quite properly undertaken, namely, the progress being made in the conversion of our industrial machine to war production. I may say, in passing, that the two paragraphs that I have quoted from Administrative Order No. 2, coupled with the fact that since early in January statements were continually and repeatedly made in staff meetings and elsewhere to all of the branch chiefs and to the

branches themselves concerning the No. 1 problem of the War Production Board being that of conversion, it is highly inaccurate for Mr. Guthrie to say it was not until the middle of March, or something of that order, that any policy, so far as he knew, had been adopted by the War Production Board on this matter of conversion.

Senator BALL. Mr. Guthrie didn't say that the policy had been adopted yet. What we asked him was whether there had ever been any written directive from the War Production Board, clear from the top, outlining the general policies to be followed in this conversion; and his testimony was that he had never seen such a written directive.

Mr. REED. He was mistaken about that. He had seen this, which was clear from the top.

Senator BALL. You mean this order you read?

Mr. REED. It very clearly outlined the policy in connection with this job.

Senator BALL. Not the part you read.

Mr. REED. Yes; the part I read.

Senator BALL. That doesn't outline any policy on conversion.

Mr. REED. Perhaps we don't understand each other. It seems to me it outlines it very clearly.

Senator BALL. No. It says there—

When conversion is necessary to obtain maximum use of such capacity for war purposes to bring about such conversion in the shortest possible time.

Mr. REED. You read the beginning of the first quotation, Senator—

The main task of each branch chief will be to bring about maximum use of existing industrial capacity within the industry assigned to him for the production of war material and products for essential civilian use.

That to me is a statement of policy.

In passing, it should be noted that the earliest and most positive concern of the Bureau of Industry Branches was to expedite the speedy and efficient utilization of industrial facilities, labor, and materials, hitherto devoted to nonessential civilian uses, to the business of war production.

Later, I would like to recount briefly the part which the Bureau of Industry Branches, with which I have been officially connected, has played in this over-all job of the War Production Board. But, first, I should like to answer in part the question in which I know this committee is primarily interested, namely, how we are getting along with the job.

The Chairman of the War Production Board last week rendered a partial accounting to the public of the pace at which this work is going ahead pursuant to the orders of the War Production Board. That statement by Mr. Nelson and the specific orders to which he referred speaks more adequately than I can of what is being done. For the benefit of those members of the committee who have not had an opportunity to read that statement in full, I have brought along copies. In order to save time, I should like to ask the chairman of the committee that this statement and the list of limitation orders referred to therein be made a part of my testimony.

The CHAIRMAN. Without objection, that will be done.

(The statement and list referred to were marked "Exhibit No. 492" and are included in the appendix on p. 5285.)



## W. P. B. CONVERSION PROCEDURES AND POLICIES

Mr. REED. In his statement Mr. Nelson pointed out that within the short span of 3 months the War Production Board has issued orders that are a major step in the compulsory conversion of the gigantic metal-working industry to war work. It is all familiar now. In the consumers durable-goods industries, for example, orders have gone out which have stopped, or will shortly stop, the production of some seventy-odd items which can be properly classified as major products. These are the items named in the list attached to Mr. Nelson's statement to which I have referred: Automobiles, washing machines, refrigerators, radios, lawn mowers, vacuum cleaners, vending and amusement machines, metal signs, metal windows, metal kitchen and household utensils, and a large number of common household electrical appliances are included.

This list is by no means complete, since it was devoted largely to the consumers durable-goods industries. If I could take the time of this committee to recount in detail the impact of these and the other mandatory orders which have been issued in the last 3 months, you would appreciate the full meaning of Mr. Nelson's statement that "these orders change the face of American industry." And in addition to these numerous orders shutting down or curtailing specified industries, there are numerous conservation orders in force which, for substantially every scarce material, curtail or prohibit the use of these materials in countless nonessential civilian products. Many industries are shut down or drastically curtailed today because required materials have been cut off by conservation orders although no shut down or curtailment order addressed to the specific industry has been issued. In order that the record may be partially completed, I would like to ask the chairman to include at this point a list of all of the so-called limitation and conservation orders which are designed in part to curtail the rate of production of a given industry, stop it altogether, or save scarce materials. I have that exhibit here, Mr. Chairman.

The CHAIRMAN. It may be marked as an exhibit for the committee.

(The lists referred to were marked "Exhibits Nos. 493 to 496" and are included in the appendix on pp. 5288-5340.)

Senator BALL. Mr. Reed, looking over the major L orders—is that what you are talking about here?

Mr. REED. I will come to the so-called major L orders later. Those are orders which have been issued only since March 14, and I listed them for a specific purpose. May I come to them later?

Senator BALL. Very well.

Mr. REED. These orders, reaching into many diverse fields of industrial activity, have assumed great importance in the functioning of the War Production Board in the discharge of its responsibility to accelerate production for war. As the inexorable demands of our situation become increasingly apparent and the ability of our civilian industrial economy to withstand successive shocks is manifest, this process of compulsory conversion proceeds. There is about to be issued another drastic order dealing with literally hundreds of minor metal items. It will order the use of iron and steel or their metallic substitutes stopped as of an early date.

Mr. Guthrie would have this committee believe that his resignation on March 14 has had the effect of convincing the War Production

Board that all-out conversion is essential and that the numerous limitation and shut-down orders which have been issued since March 14 have been the direct result of Mr. Guthrie's departure. For this reason I had the records reviewed yesterday afternoon and I wish to present as an exhibit for the record a list of the 25 important limitation orders which have been issued by the War Production Board since March 14 of this year. This exhibit indicates the approximate date, taken from the work records of the industry branches, when the first draft of the order, which ultimately was issued subsequent to March 14, was prepared. Of these 25 orders, 23 had been developed to a point which enabled counsel to make a first draft of the final order before Mr. Guthrie's departure. In other words, 23 of the 25 orders were well under way at that time. These orders are in addition to 48 curtailment or shut-down orders which had been issued in the weeks prior to Mr. Guthrie's resignation; also a total of 91 conservation orders effecting curtailment or prohibiting the use of critical or scarce materials or controlling their distribution had been issued prior to March 14.

(The list referred to was marked "Exhibit No. 497" and is included in the appendix on p. 5341.)

Mr. REED. This record speaks for itself before this committee. It is a record of accomplishment, drastic in nature, but in the opinion of those close to the problem, necessary to a complete victory.

There are several historical facts which this committee should have before it in evaluating this record of the War Production Board in the short span of its existence.

In the first place, it should be noted that this process of compulsory conversion by governmental orders curtailing or stopping production is a wholly novel and peculiar contribution to our ways of making war. I think this committee should know that during the entire course of the first World War not a single order was issued which completely prohibited the output of any civilian product. When that fact is measured against the War Production Board orders which have already been issued, the public and our enemies will realize that we are and have been thinking and planning toward one, and only one objective—quick and great production for war. Furthermore, that planning has been translated into concrete action.

Doubtless, members of the committee have read in recent weeks of the miracles of accomplishment that are being performed in the automobile industry in Detroit, which has been out of production, insofar as civilian vehicles are concerned, since early in February. I wonder if the members of the committee also realize that it was not until August of 1918, less than 3 months before the end of the first World War, and a year and 4 months after the United States entered it, that an agreement was made between the automobile industry and the War Industries Board to limit the output of the industry for the second half of 1918 to a quarter of its normal output. That was the prescribed rate of production when the war ended.

I will not take further time of the committee at this juncture to explain the reasons, largely historical now, and certainly beyond the scope of my own responsibilities prior to January of this year, as to why these orders were not issued at an earlier date. If the committee thought it proper or profitable to inquire into this question, it would find that as early as September 1941, the Office of Production Man-

agement, on the recommendation of Mr. Leon Henderson, the Director of the Division of Civilian Supply, with the concurrence and approval of the Directors General, had issued, through Mr. Nelson, then Director of Priorities, a series of orders reducing the rate of production in a limited category of industries, which included automobiles, refrigerators, vacuum cleaners, and similar durable goods. These orders were necessary largely because the demand of these industries for important metals was so large and important that it was feared that their satisfaction was not consistent with the demands of essential military and civilian supply. With Pearl Harbor, however, the subsequent announcement by the President of the victory program, and the ready response of Congress with huge appropriations in scale, the Office of Production Management and its successor, the War Production Board, saw clearly that in order to meet the immense new program it would be necessary to convert existing civilian industries to war production, and it has been acting vigorously on that necessity.

I hope that nothing I have said in this statement conveys to the committee the impression that the Bureau of Industry Branches is claiming sole credit for this splendid record of achievement. We are proud to have made a contribution to it. However, it was a total contribution of all of the divisions and bureaus that make up the War Production Board, rather than the exclusive work of any one. Of course, the leadership and direction provided by Mr. Nelson, the Chairman of the War Production Board, have been a primary factor. Many of the orders to which I have referred are responsive to a considerable degree to the staff planning and recommendations of the Division of Civilian Supply under the direction of Mr. Leon Henderson. The specialists from that division assigned to the various industry branches, under our form of organization, made a consistent and coherent contribution to this work. Likewise, the Division of Labor, through its specialists, accommodated the interests of labor to this process of compulsory conversion. The same may be said of the Materials Division, the Bureaus of Priorities, Conservation, and other elements of the War Production Board. Those who understand the organization of the War Production Board and its present functioning will know that these orders were not issued by me or by the Bureau of Industry Branches. The Bureau and its branches were responsible for the formulation and processing of the so-called limitation or "L" orders and also of conservation orders on certain nonmetallic raw materials. Their very existence bespeaks the general effort and initiative of the industry branches. But they are issued by the Director of Industry Operations after clearance with the Bureau of Priorities. In other words, these orders, which, in my judgment, have been and are the greatest single impetus to the conversion of industry, represent the fruits of a cooperative organizational effort.

This result has been accomplished within a relatively short period of time with a large number of persons of diverse backgrounds and points of view participating in the formulation and execution of the various programs and orders which have been listed here.

It will be obvious to men of practical experience in the working world, be their experience in the field of industry or government, that the execution of a program of this magnitude, involving speedy action of a drastic character, was bound to produce differences of opinion.



As a matter of fact, as I indicated earlier, the industry branches, and, indeed, the War Production Board, was set up upon the organizational assumption that these differences of opinion should be developed as an aid to giving a proper balance and pace to the work. The most important administrative responsibility of the branch chief, in the language of Division Administrative Order No. 2, is—

to weld his staff into a smoothly working, integrated group.

Similarly, the War Production Board is set up in divisions which are organized for the purpose of bringing specialized points of view to bear upon line operations. The War Production Board has provided in its internal and informal procedure such devices as the so-called clearance committee, which is advisory to the Chief of the Bureau of Priorities and which functions for the express purpose of providing a final exchange of different points of view on orders which have been proposed for issuance.

I think every member of this committee will appreciate the fact that Congress, the Cabinet, agencies of government, and business, labor organizations, and, indeed, all of our institutions operate on the working assumption that Americans are good sports, that we like to have our say, and, having said it and having been outvoted, accept the result in good faith.

For this reason it is not, in my judgment, a charge of weakness that there have been differences of opinion in the War Production Board. It is simply a charge that the time-honored process of give and take is at work there. To such a charge by Mr. Guthrie, I make no rebuttal. To his specific charge that he resigned because he was being obstructed by his superiors in carrying out his responsibility to convert civilian industry to war production, I must reply.

*The Textile, Clothing and Leather Goods Branch.*—I will not attempt to reply to Mr. Guthrie's charges against members of the branch of which he was chief. Mr. Guthrie had been the head of this branch for more than four months prior to January 5, 1942, when I was placed in charge of the industry branches. The personnel of the branch was largely recruited during Mr. Guthrie's tenure of office and the entire personnel of the branch was at all times directly responsible to him.

Between January 5 and February 25 when I first learned of and discussed with Mr. Guthrie the seriously demoralized condition of his branch, I had never discussed any matter pertaining to the Textile Branch with any member of the branch save Mr. Guthrie; I had attended one meeting of his staff in order to meet the key individuals and to listen to a very general discussion on the subject of wool; I had never received from Mr. Guthrie any suggestion that he was having anything more than the usual discussions and differences of opinion that are common to all branches. And at no time—and this is important—did Mr. Guthrie indicate that he wished to discharge or replace any individual in his branch nor did he ask me for assistance in solving any personnel problem that confronted him. Hence, insofar as there is any possible merit in Mr. Guthrie's charges made before this committee yesterday that there were any deficiencies in the planning or execution of programs for the textile industry, the responsibility for such deficiencies must be placed on him. He was the person in responsible charge from September through March 14.

The difficulties and disagreements with his own people which Guthrie now describes so vividly were entirely within his own power to



correct and were completely without my knowledge. They appear to be greatly exaggerated in the light of what subsequently followed; indeed, I submit they are in large measure an afterthought.

*Radio and refrigerator industries.*—It has been suggested by Mr. Guthrie that the conversion of the radio and refrigerator industries has been held back because I and, perhaps, others taken from the ranks of industry were too interested in preserving peacetime business. I wish to remind the committee that it was not until January 5, nominally, and actually January 26, because of the reorganization that produced the War Production Board, that I had anything to do with the industry branch responsible for the radios and refrigerators. The branch had been organized and operated by the Division of Civilian Supply under Mr. Leon Henderson in September 1941, and had been operated under the jurisdiction of his deputy, Mr. Joseph Weiner, until the industry branches were placed under Messrs. Knudsen's and Hillman's direct jurisdiction in December.

That the domestic radio set production was sharply curtailed by an order issued January 23, 1942, but not required to shut down until April 22 was in accordance with a letter dated January 9, 1942, from Under Secretary of War Robert P. Patterson to William S. Knudsen, then Director General of the Office of Production Management, which reads as follows:

At the present time it is essential that all existing radio manufacturing facilities of the United States be kept going on commercial production to and only to the extent necessary to hold together their operative forces until such time as the load of national defense requirements can be placed on these facilities.

In order to attain this end and thereby prevent the loss of skilled labor and disruption of facilities, I suggest that commercial production be curtailed at once, but gradually, and that suitable quantities of materials for radio production be allotted to this industry to keep it going until it can assume its share of national defense orders. Action has been initiated in the War Department to place war production orders as rapidly as possible with the presumption that continued operation for commercial sales shall not delay or displace such orders.

As to the refrigeration shut-down order, I have only this to say: After the automobile conversion picture had taken definite shape, the branch undertook to deal with the refrigerator industry. A program for that industry had been discussed for some time in the branch. The exact form of the order was decided, cleared, and announced between February 10 and February 14. As far as I know, no other shut-down order has been handled with greater expedition in the War Production Board. To a considerable degree this was due to the presence of Mr. Thomas Evans who was brought in by Mr. Knowlson and me as a disinterested consultant thoroughly familiar with the conditions in the domestic mechanical refrigeration industry. Such disagreements as arose between representatives of the Divisions of Labor and Civilian Supply and Mr. Evans were no more serious nor extensive than occur every day in discussions of similar orders. The April 30 shut-down date finally decided upon was 30 days later than the date suggested by the most drastic advocate of immediate conversion. That date was agreed upon by all concerned after an analysis of military, lend-lease, export, and essential civilian requirements of refrigerators indicated that continuance of production until April 30 was both necessary and desirable.

The CHAIRMAN. Was Mr. Guthrie present when that agreement was reached?

Mr. REED. Mr. Guthrie was present at the meeting at which that agreement was reached.

To anyone who has worked in the War Production Board and knows the way it functions, Mr. Guthrie's bland assumption that he was the primary exponent of compulsory conversion to war production and that I was its primary opponent, will seem ridiculous. Neither one of us was that important. As we have already seen, the policy of promoting conversion of civilian industry to war production by curtailment orders had been adopted and put into execution long before Mr. Guthrie resigned.

The simple fact is that Mr. Guthrie saw this particular bandwagon rolling down the hill, hastened to climb aboard, and attempted to give the impression that he was the driver. The reasons or motives that he may have had for his action are beyond me. My only explanation to the committee is that in every such environment, such as is provided in the give and take atmosphere of the War Production Board, there are always a few who, thwarted in the achievement of personal ambitions that transcend their abilities, or peeved by real or fancied slights, decide that they will abandon the venture. Sometimes they do it quietly and with a dignity that in a substantial measure makes up for their shortcomings. In other instances they choose to satisfy their peculiar vanity by hitting the headlines.

I have no desire to explore any further the vagaries of Mr. Guthrie's conduct and personality. I do not believe that this committee, with its important functions, wishes to deal in personalities. I believe that the record of the War Production Board lives in the very orders referred to and is a grand and courageous achievement. The months ahead will see the terrible impact of these orders upon the business, labor, and consumer groups in the community of every member of this committee. The letters and correspondence you will receive in the weeks ahead and the evidence that will present itself to you on all sides will prove conclusively that American industry is being rapidly and ruthlessly converted to the awful business of war. That this cannot be done without serious dislocations—unemployment, bankruptcy, hardship, and suffering—must be clear to all. The job of this committee and the job of the War Production Board is not to indulge in extensive historical review of what has been done. It is to gear up for the greater efforts ahead. The President, with the support and at the suggestion of many wise and competent advisers, including this committee, has established an organization for war production. That organization is functioning effectively to develop and utilize the great capacity of American industry for the job. It has the active cooperation and understanding of American industry and the support and confidence of labor and consumers. This War Production Board and its entire personnel, working as a single integrated unit and in close cooperation with all the other war agencies, is giving everything it has of intelligence and energy, to the successful termination of the victory program. History will record, I believe, that this contribution was no small part of the great endeavor.

That concludes my prepared statement, Mr. Chairman.

The CHAIRMAN. Mr. Reed, your authority as the head of this industrial branch was derived from Mr. Nelson?

Mr. REED. From Mr. Nelson through Mr. Knowlson.

The CHAIRMAN. Mr. Knowlson was the executive under Mr. Nelson from whom you derived your authority?

Mr. REED. Mr. Knowlson is the Director of the Division of Industry Operations, and the Bureau of Industry Branches is one bureau of that Division. I am chief of the bureau.

The CHAIRMAN. I see. I was particularly interested in Mr. Evans. Who brought Mr. Evans into the picture?

Mr. REED. I telephoned Mr. Evans and asked him to come down here.

The CHAIRMAN. Mr. Guthrie testified yesterday that Mr. Evans wrote the order which converted the refrigerator industry to the war work, and that the agreement had been made, I believe, to close down that industry for civilian production sometime in the earlier part of April.

Mr. REED. Thirty days earlier, yes; March 31.

The CHAIRMAN. March 31, if I remember correctly, and on a direct order from you, that was changed to a date 30 days later. Is that correct?

Mr. REED. No, sir; that is false. Here is what he testified to, if you would like to have me say so, because I have been through this before and testified about it before another congressional committee.

The CHAIRMAN. Proceed.

Mr. REED. Mr. Evans was brought down here by me. I had not met Mr. Evans at that time. Mr. Knowlson knew him. I knew him by reputation. He is a man not in the domestic refrigerator business. He is in an associated business, the commercial refrigeration and air-conditioning business. He had been the head of a section of the National Electrical Manufacturers Association for a number of years before, which did include the domestic refrigerators, and so he knew the members of the industry; he knew their personalities, he knew the capacity of the plants, he knew what could be done and what couldn't be done.

We thought it would be very desirable to have him down here simply as a consultant, without any authority whatever to draw orders or to make decisions, but to be a consultant, to advise the individuals, who, if you will review their names, knew nothing about the refrigerator industry, and to be there to add anything he could to the story and give them the facts against which they might make the decisions.

That is what he was there for. That is the function he performed. The differences that may have been developed at the two meetings that Mr. Guthrie speaks of are, as far as I am concerned, hearsay, because I attended neither of them, but I can and do again specifically deny that I ever told Mr. Guthrie that Mr. Evans was to be permitted to draw the order or specify the terms of the order. That is an untrue statement. I have said it before and I shall be glad to say it again.

Senator BALL. Did you say anything that might have given him that impression?

Mr. REED. No, sir; I did not. What I said to him was very clear, and Mr. Evans was sitting with me in the room at the time. He had just come in and reported on the results of the initial conference, and he said he thought there ought to be another meeting. He didn't think the matter had been completely covered, that further facts were being



gathered together in the interim and that he felt the decision had been exceedingly immature, and he said he thought there should be another meeting. I called Mr. Guthrie and passed that word on to him and said I thought, in view of Mr. Evans' recommendation, that they should have another meeting and consider again any new facts that had been developed and review the matter for a second time.

As I pointed out, this all happened within a matter of 4 days. Mr. Evans was only here, I think, 4 or 5 days all together, and the total difference between them was only a few weeks, you see. There wasn't any major difference of opinion.

Senator BALL. The major difference was not on the stop order but on the appeals proceeding which Mr. Evans suggested.

Mr. REED. That is one of the points that was discussed, and I notice Mr. Guthrie quoted me yesterday in his statement to the committee as having viewed favorably a generous appeal procedure, or something of that sort. That isn't a true statement, either. I never said anything of the kind, nor do I favor or disfavor any procedure.

The CHAIRMAN. Mr. Henderson protested that appeal procedure.

Mr. REED. Yes. As I tried to explain elsewhere, there are two ways of converting an industry. Both techniques have been utilized, and it depends a little on the conditions in the industry which technique is the better one. One is to shut that industry down almost immediately with a shut-off order, when you know perfectly well at the time that you do it that the war effort is not going to be well served or effectively forwarded by your sticking to that date. In other words, you know that it is going to interfere with war production for you to do that, but you do it in order to shock the industry, let us say, as in months gone by they felt it might do them good to have a quick shut-off, and you do it for the psychological benefit and effect, and you know at the same time that they will come in with cases which will be perfectly sound and appropriate against which you will grant these appeals for a limited time and permit that company or this company to carry on for X weeks or months.

That is one technique. The other is to study the matter much more carefully, to get your whole story, decide how many of the normal peacetime units, how much of the normal peacetime production of that industry you have to have, anyway, for the Army or the Navy or for hospitals or for essential civilian uses or for export. Having determined that, you fix a date which you are reasonably satisfied you can stick to, and you then issue the order. The language is the same in both cases. You issue the order, knowing perfectly well that there will not be meritorious appeals to be presented to you on those bases. Those are the two techniques and that is all we are talking about.

Senator BALL. I would like to go a little more into this idea of a policy on conversion. It seems to me that the order you read tells them that is part of their job, but as far as writing down policy as to how they shall go about it, I don't think it measures up to that. Has there ever been a policy as to how they shall handle inventories on hand, goods in process?

Mr. REED. There have been a number of written statements to the branches and to the branch chiefs outlining—you mean specifically the procedures whereby they convert an industry; is that what you mean?

Senator BALL. Yes.



Mr. REED. Yes; that has been done. I was glancing over the minutes of one of our staff meetings in January or early February, in which, in a statement I made, I indicated a procedure that might be followed. We were feeling our way. We know more today than we did 60 days ago, a great deal more, about how to convert an industry. I have a man who is spending all of his time on that; Mr. W. B. Murphy, one of my special assistants, is doing nothing else but studying this matter of quick and effective conversion. You have to have something to convert to. You can't say, "This industry is hereby converted." You have to some way put that industry and its available facilities and tools into touch and into contact with the right people in the services, with the people who need the kind of thing that industry can produce; and I can assure you it is not a simple job or a job that can be done in broad formula. It requires hours and hours of detailed immediate step-by-step discussions. As we go to the industries, industry by industry, converting them, the first step is to bring in one, two, or three absolutely top production people from that industry who know the companies, who know the facilities, who know the machines, the capacity, the normal peacetime output. They know what war orders are currently on their books. They know what prime and subcontracts are there, and with that as a beginning they study all the other companies in the industry so they have the whole works, and we then bring in and put them into touch with the individuals in the procurement arms of the Services, and we find things that are needed that these tools can make. Gradually we are speeding it up, we are learning the know-how, and it is gaining real momentum, but it has been a matter of cut and try.

We started out and made some bad errors. We called in 50 men from an industry and invited members of the Army and Navy and the Air Force to attend that meeting, and we tried in that way to bring them together, but it was a town meeting and nothing ever happened. Even though we endeavored, in the afternoon, to schedule specific meetings, it didn't work. We had to back away and try something else.

So the policy, the objective, is clear. The specific mechanisms by which that shall be accomplished are still in process of development but they are well along and we have already made very substantial progress in converting a good many industries.

Senator BALL. Hadn't the old O. P. M. considered the possibility that we might be drawn into this war during 1941 and made a few plans and studies as to what was the best method?

Mr. REED. I have no doubt they had; yes.

Senator BALL. You came into this set-up on January 5, is that correct?

Mr. REED. Into this particular job that I now have. I came into the Office of Production Management more than a year ago, in the Priorities Division. I was with Mr. Stettinius for a number of months, and then I moved over into the Materials Division where I handled a number of materials.

Senator BALL. Hadn't they made any studies? You say you assume they had. Some of these came along pretty late—some of these conversion orders—in March and April.

Mr. REED. Of course, there were definite programs, as you know, Senator. There were programs. At any given moment, there was a program they were working to, and you will also find by consulting the record that before that program was set in the sense that orders were placed, facilities were provided, flow of raw materials and labor were there, there would be another program and you would be continually, every month, lifting your sights.

Senator BALL. That happened all through 1941.

Mr. REED. It happened all through 1941.

Senator BALL. Didn't O. P. M. begin to get the idea that they had their sights pretty low and they had better prepare for further expansions during 1941 and make some definite plans as to just what type of war material a given industry could convert to and how it could best be accomplished?

Mr. REED. Yes; a great deal of that was done, and a great many contracts were actually let during that period, as you know. The great and final impetus came with the victory program, which was beyond the conception, as far as I am concerned, of anybody in this room or in this country. That made it clear, if there had ever been any doubt about it, that new facilities, all we could get of them, wouldn't do this job, that all of the existing facilities currently being employed on war work couldn't do this job, that it was going to require the conversion of factories which were not well adapted, inherently, to war work, that weren't properly located, that their space wasn't arranged right, the tools weren't the most effective tools, they were shy on many tools; so it was a question of getting well down into the type of structure that wasn't best adapted and wouldn't be selected first for war work, with a broad realization that we had to cut deep and go far, not only to save these materials that must be saved for war work, but to convert industries currently operating on civilian products.

Senator BALL. But it seems to me if that kind of a study, for instance, had been made of the refrigerator industry, which has only about 14 major manufacturers, as I understand, that there was no particular reason for delaying that conversion order until February 14. After all, Pearl Harbor was December 7.

Mr. REED. Senator, you have to convert to something. There weren't orders for those refrigeration manufacturers. The great appropriations, the great ordering that has been done here, have been done since December.

Senator BALL. Congress had certainly appropriated enough billions before that. What had happened to them? Were they just bottlenecked in getting contracts through? Was that the bottleneck that slowed down this conversion?

Mr. REED. That is beyond my realm of responsibility.

Senator BALL. You have told us that was part of the conversion job, to see that they had something to convert to. Is that what slowed it down?

Mr. REED. No; since January the orders have flowed out very rapidly from all arms of the service in enormous quantities.

Senator BALL. And you have had no trouble since January. When you take an industry, such as radios or refrigerators, and say, "You have to go completely into war work, with maybe a little essential civilian supply," you have had no trouble in seeing that the contracts

were negotiated in time so that they could have an efficient switch-over?

Mr. REED. The difficulties are exclusively in the technical field; that is, of finding the right product to make in particular facilities that you have. Our job is to see that what the Government needs, what the military requires is matched with facilities to produce it, and the great difficulty has been in finding the right kind of operating production technicians and putting them in touch with exactly the right people in the procurement arms of the military, and getting them together. We are simply a catalytic agent in the War Production Board. We haven't any money to spend, we can't place orders, and our job is to act, as I say, as a catalyst between the buyer and the manufacturer.

Senator BALL. That is what I am getting at. You didn't actually let the contracts. Your job was to do the planning, primarily, and to see that these various groups, the producers on the one hand and the departments letting the contracts on the other, got together.

Mr. REED. That is right.

Senator BALL. And at the same time to plan for this war production. It was obvious in 1941 that they weren't going to produce even the programs then with the facilities that were then being used.

Mr. REED. No; I don't think that was obvious at all. I don't think there is any question but that the production program of last fall could have been and would have been produced with the facilities that were then converted or waiting to be tooled up and the new plants that were coming along.

Senator BALL. Why were you able to convert this huge automobile industry so much more rapidly?

Mr. REED. Because it was the first industry on which conversion was started. That started back in July, you will remember. The industry was brought down to Washington and it was brought down first because it was the largest user of these critical materials, and therefore the logical one to curtail first. It had been conditioned to it. The branch had learned the basic facts. They knew what could be done and what should be done, and therefore they were able to move promptly into it when the need appeared for a complete and absolute shut-down.

Senator BALL. In other words, they had been working on it a little longer and the heat was greater.

Mr. REED. They had been working on it longer and knew more about it and the heat should be there because it was the largest user of these critical materials.

Senator BALL. How about most of these contracts that are going to the automobile companies; are they negotiated contracts, cost-plus-fixed-fee?

Mr. REED. I shouldn't answer that because I don't know. I haven't been in between and can't say. My impression is that they are negotiated contracts. I may be wrong about that.

Senator BALL. That is my impression, too, and the reason I asked was because these conservation orders that you have talked about that were issued all through '41 and that cut down on the supplies that all these various smaller metal-working plants could get, left them to shift



pretty much for themselves, and they still can't come in and negotiate contracts. They have to bid.

Mr. REED. You mean the smaller manufacturers?

Senator BALL. Yes.

Mr. REED. I think you will find that isn't so, Senator.

Senator BALL. I was talking to one yesterday and he said he had been bidding down here for 3 months.

Mr. REED. But there are no rules; obviously, there could be no rules that permit negotiating contracts with the large automobile companies and requiring bidding by the smaller ones. That would be undemocratic and it is unthinkable, and I know it isn't so.

I am informed quite recently, in the matter of weeks, perhaps, certainly a very few months, that there has been a substantial relaxation in the rules regarding letting of war contracts by the Army and the Navy, and they are much freer now to negotiate than they previously had been, and that really becomes necessary because we are using much less efficient equipment. We are using plants and tools that just can't do the job as cheaply, as quickly, or as well, and we have to pay more money for that material.

Senator BALL. They have had the authority ever since Pearl Harbor, practically, to negotiate contracts whenever they felt it was advisable. They don't have to go on a bid basis, but this particular concern told me that they have been bidding on every contract, that the policy of the procurement set-ups in the Army and the Navy is to award to the lowest bidder, and then go on up the list until they have got enough capacity to supply their needs, and if some fellow is trying to bid on something he has never made before, and doesn't know what his costs will be, unless he puts in a suicide bid, the odds are against him.

What I am getting at is that you put the small concerns up against that kind of a gun in conversion by your stop orders, your conversion orders. You are not giving them any material except for war orders, and then you make them go up against that kind of a gun to get war orders, whereas the big outfits—your refrigerator people probably did the same thing; certainly the automobile people have—come in and get a cost-plus-fixed-fee negotiated contract. They don't have to risk economic suicide in order to get into this conversion program.

Mr. REED. A great many more contracts, so I am advised, have been let to smaller companies recently. There is no question about it, Senator, there is something in what you say. The services, from the beginning, have been inclined to deal with the companies that they knew, that all through the years they had been dealing with, that they could definitely, by way of background and experience, count on to produce the material, and it has been a job partly participated in by the larger manufacturers themselves in consciously developing techniques for subcontracting the material out after they had received prime contracts, but also a job to get other companies on the list of the War and Navy and air force people in connection with direct prime contracts, and it is moving rapidly. I think you will find a review today will show a very different picture from a review 60 or 90 days ago.

Senator BALL. It has to move rapidly or a lot of these small companies are going to go out of business.

To get back to Mr. Guthrie, did he and do the other branch chiefs have authority to choose their own personnel, or fire men, or is that subject to your approval?



Mr. REED. No, sir; they have complete authority in their own branch, in their own domain.

Senator BALL. In other words, if Mr. Guthrie had wanted to fire Mr. Marriner, about whom he talked a great deal——

Mr. REED (interposing). There wouldn't have been the slightest question about it. I didn't know Mr. Marriner.

Senator BALL. When he came to you February 25, the first time he ever brought this subject of conversion up to you in a critical vein, did he then suggest any changes or talk over with you any changes in the personnel of his branch?

Mr. REED. He then indicated that he had difficulties with Mr. Marriner, that they hadn't seen eye to eye, and the same applied to Mr. Walton in the branch, and perhaps one or two others I have forgotten. But even then he didn't suggest that he wanted to or that I help him in removing those people from the payroll. Even then he didn't suggest it. Always we are having disagreements. My goodness, working under the tremendous pressures we do over there, with tempers pretty thin, every day there will be a personality conflict. There will be personal chemistries that aren't quite right and discussions and heated words, but, my goodness, that is something you have to expect in this kind of war effort to carry on with. There was no indication that Mr. Guthrie's relations with Mr. Marriner, from what he told me, in any event, were not such that he was not on top of it and could handle it.

Senator BALL. So far as you were concerned, he had complete authority to fire anyone in his branch whom he felt couldn't fit into the organization?

Mr. REED. Yes, sir. My attitude is this. Each of my branch chiefs I am holding responsible for their job, that is, the job as outlined in that administrative divisional order No. 2, which you have seen. If I am going to hold him responsible, I have to give him authority. They are completely entitled to surround themselves, subject only to the over-all rules of the organization, and to recruit the kind of personnel that they want, the number that they want, and I will judge them by the results. If the results aren't good, they will go out. If they perform, that is all I ask for.

Senator BALL. I was just going to come to that. How many have gone out?

Mr. REED. What?

Senator BALL. How many have gone out?

Mr. REED. There have been some. I can't tell you how many have gone out because I don't know. I wouldn't know if a branch chief let a man go tomorrow. It would never come to my desk.

Senator BALL. Have you fired any branch chiefs?

Mr. REED. Have I? Yes, sir.

Senator BALL. How many?

Mr. REED. How many?

Senator BALL. Yes.

Mr. REED. Well, I have applied for changes, I can think right off the bat, for three. I hope you won't ask me who they are.

Senator BALL. To get back to this policy thing, here you say that there had been numerous written directives going down to branch chiefs covering——

Mr. REED (interposing). By "numerous" I don't mean that. I mean that there have been—I can think of two in addition to this administrative order.

Senator BALL. Which simply tells them that that is a major responsibility—

Mr. REED (interposing). And giving the specific technic and telling him how to do it, and, step by step, the kind of approaches.

Senator BALL. Not in the paragraphs you read.

Mr. REED. No. I think Mr. Clark has a memorandum of that.

Senator BALL. Have you supplied written directives?

Mr. REED. Which gives more machinery and mechanism and procedure.

Senator BALL. Which gives more of the policy. How about this carpet industry? Did Mr. Guthrie ever present to you his ideas about putting the carpet looms to work producing cotton duck so as to release some of the cotton looms for essential civilian use or whatever needed it most?

Mr. REED. I don't recall having had any discussions with Mr. Guthrie on the subject of the carpet industry or its conversion problems that I recall clearly enough to make a statement here. I do recall the mention of them. I recall the fact that they were unable to get materials and that they were terribly curtailed and would probably go down and out. Mr. Guthrie's view at that time was that there was no way of saving them and that he had so advised them that they would probably go down and out and could not be converted. Today, as you know, ways have been found of utilizing the carpet industry as a very large producer of duck.

Senator BALL. Are you pretty well satisfied with the rate at which this conversion of metal-working industries from civilian to war has been done?

Mr. REED. I think the conversion program as a whole is moving rapidly, and I think we know it is moving in the right direction. I shall never be satisfied, Senator.

Senator BALL. We know it is moving rapidly now, but there seems to have been a hiatus between December 7 and about the last of January.

Mr. REED. Well, there wasn't, really. It is like this tooling-up process. It takes time to get going. If we could review with you the agenda of meetings and discussions and plans that were laid as a result of which this flowering that you now begin to feel and see is before us. I think we could convince you that that wasn't so. Surely after Pearl Harbor, nobody could have been quiescent. We were active as beavers.

Senator BALL. No; but I gather that there were no very effective plans developed before Pearl Harbor for conversion, that these branch chiefs to that extent had fallen down on the job. Perhaps they had been so busy with the program they were building that they had overlooked planning for something that might be tougher. But the fact is that you, on a great many of these civilian industries, had to develop your plans for conversion, your procedure, and your technique, after Pearl Harbor.

Mr. REED. Yes, sir.

The CHAIRMAN. Senator Burton?

Senator BURTON. Mr. Reed, from your description of the difficulties in the executive offices, this must be a kind of relaxation over here.

We are confronted with an extraordinary difficulty here in trying to serve the best interests of everybody concerned due to the conflict of testimony. Therefore, I hope you will understand when I go over some of the testimony given yesterday, that I am asking you to clarify our minds on this conflict because we must resolve the conflict in some way.

Mr. REED. Quite right.

#### CONSERVATION OF WOOL PROGRAM

Senator BURTON. Therefore, first of all, I would like to have your comments as I go through this recital of yesterday, with regard to the wool situation, taking this, for example. This is the testimony taken now from Mr. Guthrie<sup>1</sup>:

Without controlled or mandatory blending we faced the risk therefore not only of a serious shortage of civilian wool products, but also that any such products made would use in part more wool and part less wool than is necessary to provide needed warmth; in either case wool would be wasted. For these reasons mandatory blending has appeared to me to be one of the most acute conservation needs in the textile field. I directed that an order be drafted allocating rayon staple fibre to the worsted industry, and I asked Mr. Marriner to give consideration to provision in the second quarter order for some kind of mandatory blending. The Labor and Civilian Supply Divisions and the Bureau of Industrial Conservation recommended this very strongly.

Mr. Marriner then, as always, expressed his opposition to any kind of mandatory blending. He has since said that he opposed only what he calls "industry-wide" blending, under which fixed percentages of substitute fibres would be required in all fabrics produced by the industry, a plan which, so far as I know, was proposed by no one. He took the position that the mills would do a good job themselves, without control, saying that anyway he thought we had no business sitting in Washington like commissars, telling the mills how to run their business. He took this position very strongly, and with considerable hostility, and made it plain that he was not disposed to take any action, whatever, I might say. At the same time I was receiving definite indications of lack of support from Mr. Reed.

Could you comment on that testimony at that point?

Mr. REED. On that particular statement?

Senator BURTON. Well, I brought it up to that point, where he had a definite policy, Mr. Marriner disagreed, and you apparently sided with Mr. Marriner.

Mr. REED. I would like to make a statement on that.

Senator BURTON. All right.

Mr. REED. As I said a moment ago, Senator Burton, the only contacts that I had on any subject involving the textile industry up until at least February 25 were with the Chief of the Textile Branch itself, Mr. Guthrie. I did attend one meeting in his office primarily to meet the key members of his staff, at which a general discussion on the subject of wool was had, and I listened to that with great interest. No conclusions were reached. Differences of opinion were expressed around the room. There was no heat. Civilian supply, labor, various members of the branch, and Mr. Guthrie were all there. The statistical representative was there. They reached no agreement, and were sent back to make further studies and to come in with, if they could, a more definite recommendation.

The second quarter wool order was signed by Mr. Guthrie. It couldn't have gone to the so-called clearance committee had it not been

<sup>1</sup> Supra, p. 4961.

signed by him. He indicates there that the wool order went to the clearance committee without a provision for mandatory blending because he had then felt lack of support as far as I was concerned in his position. I had no notion what his position was. I had never discussed it with him. I had never discussed it with Mr. Marriner, and this was before February 25, when I did learn of the demoralized condition in his branch and promptly called him in to discuss it with him.

The second quarter order was objected to not by Mr. Guthrie, who had signed it, indicating approval of the Chief of the Branch, but by labor, who, when the order had been cleared with the clearance committee and was about to be issued, went to Mr. Knowlson, who is the general director of the Division, including priorities as well as our Bureau, and at that time they had these discussions which resulted in a letter being sent to the industries quite recently warning them that mandatory blending—or asking them to set forth their programs for mandatory blending for the third and fourth quarters.

Senator BURTON. Just let me get it clear. Mr. Guthrie was in favor of mandatory blending?

Mr. REED. So he now testifies.

Senator BURTON. Mr. Marriner was opposed to mandatory blending?

Mr. REED. Mr. Marriner will deny that. It is apparently a very complicated subject. I am not qualified to talk about it. I really think that, in justice to Mr. Marriner, he should be invited to make a statement here before any member of this committee accepts the statements made by Mr. Guthrie. I cannot adequately represent Mr. Marriner in the technical aspects of this matter.

Senator BURTON. The impression we would get from the testimony which I read would be that Mr. Guthrie was in favor of it; Mr. Marriner, his subordinate, was opposed to it; and Mr. Reed, yourself, his superior, was supporting Mr. Marriner rather than himself. You say that is not the situation.

Mr. REED. That is the impression you certainly and definitely would get from reading the testimony. That is not the situation. I did not know what Mr. Guthrie's position was. I did not know what Mr. Marriner's position was. I was never asked to favor or take any position with reference to either of those gentlemen.

Senator BURTON. Now then, picking it up from there. I am still reading from Mr. Guthrie's testimony now so we can carry this through.<sup>1</sup>

At the same time I was receiving definite indication of lack of support from Mr. Reed.

You deny that?

Mr. REED. If he was, they were indications of which I was unconscious, Senator.

Senator BURTON. His next sentence is, "Because of this"—meaning the lack of support from Mr. Reed—"the second quarter order was drafted without any provision for mandatory blending. The Labor Division was not satisfied"—indicating that the Labor Division was in favor of mandatory blending.

Mr. REED. Yes, yes; exactly.

<sup>1</sup> Supra, p. 4961.



Senator BURTON (reading)<sup>1</sup>:

Its representative on the clearance committee, Mr. Lester, took the matter to Mr. Knowlson, and Mr. Knowlson, in a meeting with Mr. Eiseman, Mr. Lester and Mr. Doherty, gave a directive to the Branch to commit itself, at the time of the issuance of the order on February 25, to a program for mandatory blending in the second quarter, or as soon thereafter as possible.

Now, at that point, Mr. Knowlson, stepping in from above yourself, is supporting the mandatory blending, I take it.

Mr. REED. I again think you ought to ask Mr. Knowlson about that.

The CHAIRMAN. He will be here tomorrow and we will ask him.

Mr. REED. Good.

Senator BURTON (reading)<sup>2</sup>:

This commitment was made in the form of a statement released with the wool order in which we said that we would shortly request the mills to submit blending programs; the statement also said that on the basis of these programs and other information a mandatory blending order would be issued to apply to all fabrics delivered after September 15.

Now, "Despite this clear instruction and the commitment contained in the statement, Mr. Marriner refused to request the mills to submit programs." Have you any comment at that point?

Mr. REED. Yes; that isn't an accurate statement. He later points out that a letter has now gone out. There again I don't feel that I am adequately representing the branch in what I say, but I know this much, that had a letter gone out promptly, immediately after that conference, no useful purpose would have been served by that, because that was just before the opening of bids on an enormous scale; many millions of dollars of orders were to be placed by the military with the mills, and as a result of that, now and subsequently, the letter has gone out, so that the mills can indicate what their programs are and can plan intelligently for their blending programs beginning not in September, as was indicated I think there, but in July, as I understand it.

Senator BURTON. Then just let me read the rest of that paragraph and then pick up from February. The rest of this paragraph says<sup>3</sup>:

A week after the issuance of the statement, Mr. Marriner informed Mr. Doherty—

who was Mr. Guthrie's assistant—

that the letters had not been sent out because in the first place he considered that the supply of wool was ample, in the second place he thought the mills could be relied upon to do a satisfactory job without control and in the third place he proposed to wait until the situation in the branch had been corrected before doing anything. By that it seemed clear to me that he meant pressure was already being brought to get rid of me as chief of the textile part of my branch.

Now—<sup>4</sup>

Early in February, I reported to Mr. Reed that I thought Mr. Marriner should be replaced because of his persistent dragging of his feet on the conservation and conversion problems. About 2 weeks after the issuance of the second quarter wool order (issued February 25) Mr. Houghton, Mr. Reed's deputy, informed me that I was being relieved of the supervision of the textile industries including the wool industry.

Now, would you comment on that, because it brings up the point to which Senator Ball was referring. As we gathered from this

<sup>1</sup> Supra, pp. 4961-4962.

<sup>2</sup> Supra, p. 4962.

<sup>3</sup> Ibid.

<sup>4</sup> Supra, p. 4963.

testimony of Mr. Guthrie, Mr. Guthrie wanted to get rid of Mr. Marriner, reported the fact to you and did not get the cooperation which he sought and therefore Mr. Marriner was not removed.

Mr. REED. That isn't true. Mr. Guthrie never asked me or told me that he wanted to get rid of Mr. Marriner, and he knows it.

Senator BURTON. Then let me read this paragraph and get your comment on that<sup>1</sup>:

The direction of the wool program thus remains in the hands of a man who has consistently opposed drastic action to conserve wool; who stated in the presence of several members of the Textiles Branch that he was in Washington to represent his company and the woolen industry; who reported to a congressional committee only 3 weeks ago that a shortage of wool positively did not exist, despite the fact that according to his own testimony, our assured supplies of wool will fully clothe an army no larger than 3,600,000 men, and only through 1943, without any allowance whatever for civilian requirements and without allowing a pound for the requirements of our Allies. This would leave civilians in the same position with respect to wool that they are in with respect to rubber. Moreover, if a larger sized army is to be supplied, Mr. Marriner says, the military specifications for woolen fabrics will have to be adapted to the available wool and waste supply. This means shoddy garments for soldiers, while well-to-do civilians are allowed to buy unadulterated, 100 percent virgin wool garments.

And if accumulation against the day of shortage has been a good policy for civilians, it would have been a still better policy for the Government. Mr. Reed apparently thought that Mr. Marriner was right and that I was wrong on these issues.

Do you have any comment on those rather drastic and severe charges against Mr. Marriner, who is still with the organization?

Mr. REED. Yes; that is why I feel Mr. Marriner should be invited to make a statement here. All of it is hearsay so far as I am concerned. As I have told you, I never sat in with any of these discussions between Mr. Marriner and Mr. Guthrie or between Mr. Marriner and Mr. Doherty. Accordingly, for me to say he did or didn't say one thing or other, would not only be inappropriate but of no value to you. From my observation of Mr. Marriner, I regard him to be an honest, earnest, intelligent person. He may not be as patient as he might be and perhaps he isn't; and with a young man named Mr. Doherty, I think probably he wasn't, at times at least, as careful and as attentive and patient as he should have been, Mr. Doherty being then between Mr. Guthrie and Mr. Marriner. And, I think that most of these discussions that you find stated there were actually discussions, according to my information, with Mr. Marriner, not with Mr. Guthrie at all, but between Mr. Doherty and Mr. Marriner. I think Mr. Marriner is entitled to, in view of the serious charges made against him, be invited here and to be given an opportunity to make a statement. My observations of Mr. Marriner are such that I feel he is an intelligent, patriotic, qualified individual, who has by no means lost sight of the fact that we are at war, that our first job is to conserve and to produce for war. I think that any suggestion to the contrary is not so.

Senator BURTON. Then speaking as a superior officer of both Mr. Guthrie and Mr. Marriner, I take it, that you are saying that now you feel satisfied with the progress that has been made in the wool conservation and the wool industries, and that you feel satisfied with

<sup>1</sup> Supra, pp. 4963 and 4964.

the personnel, including Mr. Marriner, that remains in the Textile Division, including that wool section?

Mr. REED. I am never satisfied, Senator, in times like these and I have told all of my people that whatever the job we are doing, it isn't enough. That we aren't satisfied. We can't be. As far as the personnel is concerned, I have every reason to believe that the personnel is able and efficient and I have no suggestions and contemplate no changes in it.

#### CONVERSION OF COTTON-TEXTILE INDUSTRY'S CAPACITY TO WAR PRODUCTION

Senator BURTON. On the general question of policy, turning to cotton duck, there was a good deal said yesterday about the fact that in the Army a tremendous amount of cotton duck is used for tentage and cartridge belts and gas-mask cases and knapsacks and what not; and the conservation which would bring about the conversion of cotton duck had been much slower than Mr. Guthrie would have wished to have had it. Have you any comment on that? Are you satisfied with the conversion and the progress of the cotton duck?

Mr. REED. I think the cotton duck program today is probably pretty good. It certainly was slow. Countless mills were fighting for business, hunting for it, trying to get orders without success, because—and I think this is honestly the main cause—the cost of producing duck in a carpet loom or in any one of these many looms that were shut down for lack of materials or for other reasons, is substantially higher than it is in the straight, well-designed commercial duck looms, and that meant that bids for duck against that type of an operation and against the integral mills which had their yarns and all the rest of it as part of one operation, meant differentials of upward of fifty percent more for duck produced in that way than the integrated, efficient mills. As a result, they didn't get the orders for a long while, and now they are. As I understand it, orders have been placed. Does that answer your question? Is that responsive to it?

Senator BURTON. It would mean this to me: That you feel there has been a longer delay than you would like to have had but that we are doing pretty well now.

Mr. REED. That is right.

#### CONVERSION OF REFRIGERATOR INDUSTRY'S CAPACITY TO WAR PRODUCTION

Senator BURTON. Now, then, turning to the refrigerators, I again must refer to the testimony that was given yesterday, because it relates to yourself and you are the only one who can answer it directly.

Mr. Guthrie testified [reading]<sup>1</sup> :

The Civilian Supply and Labor Divisions protested to Mr. Knowlson, who called a conference on February 7 and directed that the refrigerator conversion be made a coordinated program, not one based on the separate consideration of individual appeals. I understand that Mr. Knowlson then said that he thought both Mr. Reed and himself should abstain from further consideration of the refrigerator problem, because their companies made refrigerators, and asked that Mr. Weiner, the Deputy Chief of the Civilian Supply Division, and I work out a solution together.

<sup>1</sup> Supra, p. 4969.

Any comment?

Mr. REED. Only that I don't concede that Jim Knowlson exclusively had the idea that we should stay out of the discussions. I think we both stayed out of it.

Senator BURTON. That you felt you should stay out of it.

Mr. REED. Of course. I had been down there for 14 months and I had been leaning backward and making every effort to keep out of any discussions that involved or might conceivably involve my own company. At times with the job that I have, it is difficult, but certainly that has been my effort and I know it has been Mr. Knowlson's.

Senator BURTON. So that the record may be clear, I understand you are chairman of the board of directors of the General Electric Co.

Mr. REED. Yes, sir.

Senator BURTON. Then, following this testimony of Mr. Guthrie, immediately following that paragraph, he said:<sup>1</sup>

Immediately after this, Mr. Reed called me and asked me to call a meeting in my office to discuss the order. He told me that a Mr. Thomas Evans would attend, explaining that Mr. Evans knew the refrigerator business thoroughly. I subsequently learned that Mr. Evans was the head of a company manufacturing commercial refrigerators in Philadelphia, that he had formerly been in the domestic refrigerator business, and that he had been for a number of years head of the domestic refrigerator section of the National Electrical Manufacturers' Association.

You testified on that already this morning.

Mr. REED. I think I did this morning and elsewhere before another congressional committee.

Senator BURTON [reading]<sup>2</sup>:

At this meeting, on February 10, Mr. Weiner and I followed Mr. Knowlson's instructions. I directed that the production of refrigerators would cease entirely, throughout the industry, on a given date. The date was set at March 31. This agreement was to be embodied in a formal order.

On the afternoon of the same day, Mr. Reed telephoned me, saying that he wanted us to consider that Mr. Evans was the direct and personal representative of Mr. Knowlson and himself; that another meeting should be called and the refrigerator order reconsidered; and that Mr. Evans should be allowed to dictate the terms of the order. Mr. Reed has since denied giving me these instructions in his testimony before another congressional committee, but I understood them perfectly at the time, and I repeat that these were his precise instructions.

Any comment?

Mr. REED. I denied them. I have again this morning. I did not give him those instructions. Mr. Thomas Evans was with me at the time on the telephone and heard exactly what I said to him.

Senator BURTON. Can you account for this interpretation of your instructions?

Mr. REED. No, sir.

Senator BURTON. What did you tell him?

Mr. REED. I told him that Mr. Evans was with me, that he had reported to me the results of a conference that day with Mr. Guthrie, members of the branch, Messrs. Maury and Hammersley, representatives of the Civilian Supply and Labor, and that he felt that adequate data had not yet been collected to reach a decision in connection with the shutdown date for refrigerators; that he felt that the tentative

<sup>1</sup> Supra, p. 4969.

<sup>2</sup> Ibid.



decisions and conclusions reached that day were premature and should be reconsidered. I then called Mr. Guthrie and said, "Mr. Evans is with me; here is what he has told me. I wish you would arrange to have another meeting at which this matter can be considered." Mr. Evans, as I explained here before and explained to Mr. Guthrie, was the only member of that group working out this order for refrigeration who knew anything about the refrigerator industry, who had any knowledge of the facilities, of the possibilities in terms of day-to-day operations, of the personalities in the industry, and of what could be done as a practical matter and what could not be done. Mr. Knowlson and I both felt that we would be delinquent in our duty not to have someone at a conference as important as that who knew something about the facts of the industry and could present a point of view, not brought down with the idea of making any decisions or of writing any orders, simply as a consultant. That was perfectly clear to Mr. Evans. It was clear to Mr. Maury, who was the Chief of the Branch, and who had responsibility for that thing, to Mr. Hammersley, who was his section chief in charge of refrigeration, and it was also clear to Mr. Guthrie, who was my assistant supervising, among other branches, that one.

Senator BURTON. Would you, for the record, just reconcile for us the way in which you reconcile that with your thought that Mr. Knowlson and yourself should remain out of it?

Mr. REED. Well, that was one of the very reasons that we thought Mr. Evans should be there. Mr. Knowlson or I might have sat in at that meeting, and we might have expressed our views as people who had, or could very quickly get, any data that we needed, specific or otherwise, on the industry, and we both preferred to remain aloof for obvious reasons.

Senator BURTON. I understand, then, from your point of view Mr. Evans' judgment was not controlled by your judgment?

Mr. REED. Not in the slightest.

Senator BURTON. And that Mr. Guthrie was not under obligation or instructions from you to accept Mr. Evans' judgment either?

Mr. REED. Not in the slightest.

Senator BURTON. Let me read this paragraph now <sup>1</sup> :

The proposal to delay conversion and allow domestic refrigerator production to continue without limit until June 30 or later, simply on the basis of the existence of large inventories, was entirely different from the order which I had previously agreed on with the Division of Civilian Supply and was unacceptable to the representatives of that Division. Accordingly, as Mr. Stein of the Civilian Supply Division has testified before the House Military Affairs Committee, Mr. Leon Henderson wrote a strong memorandum of protest to Mr. Knowlson the following morning. Mr. Knowlson immediately called a meeting in his office at which Mr. Reed and Mr. Evans, Mr. Houghton and myself were present. Mr. Knowlson said that a new order would have to be written which could be defended against the criticism that Mr. Henderson had made. The result was that we drafted an order which was substantially the same as the one agreed upon before Mr. Evans appeared upon the scene; it differed only in that production was to be stopped on April 30, instead of March 31. This order was issued in a few days.

Have you any comment on that result?

Mr. REED. The result was an order closing the industry down on April 30; that was, in fact, the result. If you would like me to comment more particularly on the memorandum from Mr. Henderson to

<sup>1</sup> Supra, p. 4970.

Mr. Knowlson, I would be glad to do it. I read that memorandum. I read it at that time. Again I hesitate to speak because I wasn't at the meeting and I am simply reporting things that have been reported to me as to what the understanding was at this meeting on which Mr. Stein commented to Mr. Henderson and to Mr. Knowlson. If the letter as written by Mr. Henderson to Mr. Knowlson expressed accurately the agreement reached the day before, I would agree that Mr. Henderson might properly take exception, because if you will recall, the memorandum suggested that the shut-down date of March 31 was not to be a true shut-down date but simply a subterfuge, if you like, a date to fool somebody but not us or the industry, for that matter, and that appeals would be granted pretty much at will.

I wasn't at the meeting, and I am confident that no such understanding was suggested or reached at that meeting. Mr. Evans has vociferously denied it, so I leave it there. In any event, the whole difference between these parties—labor, civilian supply, Evans, the branch—was really small potatoes in terms of this job we are trying to do. After all, it came out and everybody agreed on an April 30 date. The earliest date that the most radical immediate conversionist wanted was March 31. So we are talking in terms of things that human beings can honestly differ about.

Senator BURTON. Do you wish to make to the committee recommendations for changes in policy or changes in personnel?

Mr. REED. No, sir.

#### CRITICISM OF W. P. B. POLICY OF EMPLOYING DOLLAR-A-YEAR MEN

Senator BURTON. We appreciate—at least I appreciate—the type of contribution which experts in the various lines of industry make to the Government as they come here as dollar-a-year men or uncompensated men. It has been raised as a question before this committee as to whether it is a sound governmental policy to have dollar-a-year men involving, as in this instance, one who drew between \$20,000 and \$30,000 and received an increase in pay between 1 year and the other from his own company while serving here at \$1 a year; another who draws from his own company \$60,000; another who draws \$120,000 a year from his home company while serving the Government at \$1 a year. I would appreciate your comment upon the advisability of dollar-a-year men under those circumstances.

Mr. REED. Well, thank you, Senator Burton, for asking for my comments. I, quite obviously, it seems to me, am not one whose comment would be taken, at least, as being unprejudiced. I am a dollar-a-year man.

Senator BURTON. Let me point out that if you can serve in an unprejudiced capacity while you are serving, you ought to be able to comment on that policy in an unprejudiced capacity also.

Mr. REED. I will be very glad to comment.

I have, since I have been down here, known intimately and have observed the operation of a great many dollar-a-year men during the 14 months that I have been with the War Production Board or its predecessor, the O. P. M. I have no wish to whitewash dollar-a-year men as a class. They are human beings, and I have no doubt that, like any other human beings, there are those among them who are ill-fitted for any kind of job. I can say this, however, honestly and

earnestly, and that is that in the period I have been here I have never seen a dollar-a-year man do anything or say anything that made me believe that he was deliberately undertaking to serve private interests, his own or anybody else's, or that he was putting the interests of his company or his industry above those of the defense, now the war effort. More than that, I can say that it is my impression that these men have actually leaned backwards and have insisted upon things being done, appeals being denied, other activities which were definitely prejudicial to their companies in order to avoid the possibility of criticism on grounds of self-favoritism or self-interest.

Again I say I recognize that there is a substantial feeling that men cannot serve in the Government as part of the war agency if they are concurrently receiving compensation from an employer at home who has loaned him for that work. I don't believe that is true. I don't believe that those who oppose dollar-a-year men would cease to oppose men who came from an industry, severed their connections, took a Government job and went on to a civil-service pay roll. I think that the same finger would be pointed at those men, the same charges of self-serving private interests would be made if the dollar-a-year group, as a class, were gone. I don't have any question about it. I recognize that my point of view is probably a biased one. I recognize that others have a different point of view. We are prepared and we want to be of service if we can. We are prepared and ready to go back to our jobs if that is the wish of the Congress or of the President or anyone else in responsibility.

May I say just this one more thing, Senator, because I hadn't anticipated being asked about that question. Donald Nelson, as you know, has already expressed himself, and I am sure he would be willing, if necessary, to express himself again. My views are only personal views. His views are official, and I don't want anything that I may have said to be regarded as anything more than my own immediate and personal response to the question that you put to me.

Senator BURTON. I thank you, and I just want to press this much further because I believe you are in a position to give us a valuable, although personal, perspective on the practicality of a suggestion that is made casually from time to time that it would be to the better interests of the Government to require dollar-a-year men to divest themselves of either their salaries or conceivably their stocks, but primarily their salaries from the companies in which they are working, accept a position at such compensation as the Government pays for those positions, and proceed on that basis. What have you to say as to the practicality of such a general rule as that?

Mr. REED. That, I believe, has been considered, and that, too, I think, Mr. Nelson made a statement about some 6 weeks ago. I haven't reviewed the situation of the dollar-a-year men as a group. I know of some of them who just couldn't, even if they wanted to—I mean they couldn't without very serious difficulties and without perhaps suffering and difficulties at home—undertake to do that.

That is, their commitments, the use of the incomes that they have, the scale of living at which they have been living are such that it would involve not mere personal, individual inconvenience—because that isn't important to any of us—but a great deal more than that. That isn't true in every case. In a great many cases older men who are not dependent upon their immediate income might well, and



gladly, carry on under an arrangement of that sort. Men who are dependent on their current income would, I am confident, make every effort to work out and so arrange their affairs that they could continue to serve. A percentage, and I expect a fairly substantial percentage of the younger men might be lost if that policy were adopted.

That is again my personal view. I haven't analyzed the records, nor have I consulted others about it.

Senator BURTON. Just to close my questioning, I would like to ask this: Of course, the great interest of the Government is to obtain the services of the best men in the country, and we have men in the industries that have risen to the leadership of those industries. We want that ability that has been demonstrated in those industries. I think it is your personal judgment that the best way to get that is about the way we have been proceeding, recognizing their strength of character to be sufficient to overcome anything involved in the current criticism, but devoting ourselves to obtaining their services based on their demonstrated capacity and relying upon their patriotism to carry it out in a way that will be thoroughly to the benefit of the Government.

Mr. REED. I think they should be judged by their results, Senator. If they don't produce, if they aren't utterly and completely honest in their dealings, they should be instantly discharged and removed. I don't know any other really effective way to deal with that situation.

Senator BURTON. That is all.

Senator BALL. Would it be possible to get enough of these dollar-a-year men to take the executive jobs on a Government salary and forget the other, and use the dollar-a-year men primarily in consultant capacities with the full-time employees or paid employees in the executive positions and making the final decisions?

Mr. REED. I can't answer that, either. I have heard that possibility suggested. Of my own branch chiefs, 21 of them, 11—perhaps it is 12—are dollar-a-year men. Eleven are civil-service employees, some of those, however, coming from industry, not Government career men. If you were to say to me tomorrow, "All of your industry branches currently headed by dollar-a-year personnel must within the course of the next 10 days be changed, those dollar-a-year men must be removed from their posts of responsibility and decision," because those men, incidentally, don't come from their own industries. These dollar-a-year men are brought down and put in a spot where they do not or could not serve their industries.

Senator BALL. That, it seems to me, is one of the faults of this system, that you almost have to place a dollar-a-year man in charge of an industry with which he is not familiar, with which he is not connected, and you lose a tremendous amount of the value of his experience and background.

Mr. REED. Here is the way it has been worked out; Senator, and it involves unquestionably a loss of time as a result of it. Our objective, as I stated in my prepared statement, is to have as the branch chief a man, whether he be dollar-a-year or whether he be on civil service, who is not or has not been drawn directly from the industry that he is responsible for as branch chief. Now, under him he may have men drawn from those industries. In fact, he must have men drawn from those industries, either dollar-a-year or civil-service status, as his workers, his consultants, the men who develop and create and recommend



to him the story. So that I say to you, actually most of our dollar-a-year men by all odds are consultants and only consultants. This is their job. They are there without authority and without responsibility. They can't make a decision as to what an order shall be or how an order is to read, but they are there to give the facts, to recommend, to criticize; and everything they do is under the sharp scrutiny and spotlight of all the other and divergent interests—labor, civilian supply, all the rest of us. I mean, even looking at the thing cynically, the chance of their really obstructing the program or of doing anything substantially to interfere with the effort or to help their own selfish interests is just about nil, in my honest judgment.

Senator BALL. And you would do that whether they were full-time or dollar-a-year men?

Mr. REED. Do what?

Senator BALL. You would not put a man in charge of his own industry.

Mr. REED. That is the rule that I am attempting to operate under. I haven't completely conformed to it yet, but I am working in that direction. If I were told that all of my branch chiefs had to be out in 10 days, that would seriously interfere with it.

Senator BALL. Nobody is going to tell you that, I think. What struck me about this is that you and Knowlson probably know as much about the refrigerator business as any men in the country, and yet you have to call in an outsider. You can't use your knowledge because you are put on the spot if you do. And yet you are probably in a better position to formulate a policy on that than anybody else you could call in, or certainly as good.

Mr. REED. We were able to correct it overnight; we got this man down who knew the story, who knew the whole industry better than I did or Jim Knowlson did. Your point is clear. I see what you mean.

The CHAIRMAN. Senator Brewster.

Senator BREWSTER. In that connection, how did you consider Mr. Evans as a disinterested consultant?

Mr. REED. How did I consider him as such?

Senator BREWSTER. Yes.

Mr. REED. Because, Senator Brewster, he is not from the domestic mechanical refrigerator industry which was the subject of this order. He has no business in that field. He has no investments in that field.

Senator BREWSTER. What is his business?

Mr. REED. His business is commercial refrigeration and air conditioning. It is a separate, different business. It has no relation to this home appliance, which is the domestic box, you see. He did, however, know the members of the industry well. He knew their facilities. He had been head of the section of the National Electrical Manufacturers Association in which they were members, and he seemed to us to be the ideal person to bring down as a consultant.

Senator BREWSTER. Well, putting him in there, you would appreciate what its effect must be on your subordinate divisions and branches, wouldn't you? That is, irrespective of what you said to Mr. Guthrie, the fact that you and Mr. Knowlson sent Mr. Evans to the conference assuredly meant something.

Mr. REED. Yes; and I told him what it meant. I was very frank with him.

Senator BREWSTER. Did it matter what you told him?

Mr. REED. I think so.

Senator BREWSTER. Could it be interpreted in any other way than, "Here, we have confidence in this man and we think he may find the right answer"?

Mr. REED. I hope my relation with my branch chiefs isn't that, Senator Brewster.

Senator BREWSTER. Didn't it imply a lack of confidence in your branch chief?

Mr. REED. It did not. It implied what I expressly stated it to be. It recognized a lack of personnel in the branch drawn from and having a complete and thorough knowledge of the industry. We ought to have had somebody in there. We should have had somebody on the pay roll there, you see, and we would, in the normal course, have somebody there, but we didn't, and we felt, therefore, that it was our job, after all.

Senator BREWSTER. To get somebody?

Mr. REED. There is nothing to apologize for. It is a duty to have somebody down there to talk on that subject.

Senator BREWSTER. In working out these dollar-a-year arrangements and taking your own care, you are continuing as chairman of the board of General Electric.

Mr. REED. Yes, sir.

Senator BREWSTER. Which is quite a responsible position.

Mr. REED. I think so.

Senator BREWSTER. To what extent are you able to continue to function?

Mr. REED. Very limited, indeed, Senator. I try to return, not always successfully, Friday nights. I come down here Sunday evenings, and I am here through the week. I try to return Friday night and have Saturday at my office in New York. I do not always succeed. I am here some week-ends. But that is the schedule that I try to keep. I go back to my board of directors meetings once each month. And that is about the limit of my current contribution to the General Electric Co., except for incidental conferences in the evenings here when someone happens to be in town.

Senator BREWSTER. Then it does amount to a very substantial contribution by General Electric to the general welfare in this \$60,000 a year which they pay you.

Mr. REED. Yes; yes, sir; a contribution measured. I suppose, by my personal ability to help here, and that is for somebody else, and not me, to appraise.

Senator BREWSTER. You are on at least a 5-day week here in the Government, I take it, from what you say.

Mr. REED. Yes, sir.

Senator BREWSTER. And that isn't limited to an 8-hour day, I assume, either.

Mr. REED. Not by a long ways; 11.

Senator BREWSTER. You are putting in 60 hours a week or so in the time that you are here, and it is only occasional week-ends that you get in New York to serve the General Electric?

Mr. REED. That is right. There are exceptions. I shall be in Schenectady next Tuesday to preside at the annual meeting of the stockholders of my company. There are a few exceptions, but it is very rare, indeed.

Senator BREWSTER. I wouldn't undertake to counsel you in public relations because of your background and experience, but I wondered if you quite meant to imply that your service was dependent on maintaining your standard of living.

Mr. REED. I beg your pardon; my service was dependent upon——

Senator BREWSTER. You used the phrase "standard of living" rather quietly.

Mr. REED. I wasn't speaking of myself.

Senator BREWSTER. Well, you were speaking of dollar-a-year men.

Mr. REED. I was speaking of a good many; yes. There are several hundred dollar-a-year men here, and the question was, Could they be converted to civil-service basis with no further compensation from their companies, carrying on as they have been? My answer to that was that in a good many cases, particularly among the younger men, I thought that could not be done.

Senator BREWSTER. And you mentioned in that connection, standard of living.

Mr. REED. Yes, sir; yes, I mentioned it. That is right, with the current commitments and expenses, insurance policies and all kinds of things.

Senator BREWSTER. Well, Mr. Nelson in his discussion pointed out those various considerations—commitments and other things. Wouldn't you rather remove the standard of living as a consideration to your service or that of your associates as dollar-a-year men?

Mr. REED. I obviously must have given you an impression that I wouldn't want you to have.

Senator BREWSTER. I felt so.

Mr. REED. When I used the term, I was really using it to describe a fixed expenditure rate, which cannot be deviated from.

Senator BREWSTER. Yes.

Mr. REED. It is there, and it takes a long while to get off of that plateau, you see, with mortgages and all kinds of things.

Senator BREWSTER. A lot of us are compelled to descend very abruptly—a lot of businesses in this country.

Mr. REED. Quite right.

Senator BREWSTER. Your orders that are going out now are rendering small business bankrupt wholesale.

Mr. REED. I know that.

Senator BREWSTER. So they are obliged to change their standard of living with extreme abruptness.

Mr. REED. I know that very well, Senator.

The CHAIRMAN. A very great many of the \$21-a-month boys have very abruptly changed their standards of living, also, and I never could see any difference between the fellow being drafted for service down here at \$5,600 a year on the Government pay roll and the one who went for \$20 and eventually \$30 a month to shoulder a rifle, and some of them left just as good businesses, comparatively, as the so-called dollar-a-year men have.

Senator BREWSTER. That is why I felt sure that Mr. Reed didn't intend, at least, to lay very much stress on that matter of standard of living as distinct from obligation.

Mr. REED. Let me put it this way: I am perfectly confident that the dollar-a-year men down here are just as willing and just as ready to

take it in terms of suffering or of giving up standards of living or anything else, to get this war effort forward, as anybody else that there is in the population of this country.

Senator BREWSTER. Well, I am sure that Americans everywhere realize the necessity of sacrifice. I would assume that possibly the only thing in which our experience would be equal at all to yours, is in this matter of public relations, and you would recognize the extreme importance of accomplishing the maximum amount of unity in the country, would you not, Mr. Reed?

Mr. REED. Yes, sir.

Senator BREWSTER. That we have all, as far as possible, got to be like Caesar's wife, above suspicion.

Mr. REED. I agree with that.

Senator BREWSTER. And that when a great corporation such as the General Electric is paying you \$60,000 a year, it is very difficult for the average man in the street to believe, first, that they are getting their money's worth. You would recognize the difficulty with which the average man would view that situation, would you not?

Mr. REED. I hear what you say. I am not sure that I understand what you are getting at, Senator.

Senator BREWSTER. You take the average man in the street, simply knowing the facts that you were down here in a Government position at a dollar a year, being paid \$60,000 a year by the General Electric; what do you think is the effect of that upon, let us say, the average man in a democracy such as ours?

Mr. REED. I can't answer that question. I don't know.

Senator BREWSTER. Well, I think it raises a serious question. That is why I want to discuss this particular point with you. I realize that you are not an exception; there are three or four hundred men. I don't mean to challenge at all your good faith or your good intentions. I am simply trying to point out something of the problem as we see it in the united effort that we are all trying to achieve. Certainly you would agree, wouldn't you, that the average man in America can't contemplate the necessity of \$60,000 a year to live on.

Mr. REED. Yes, sir.

Senator BREWSTER. You would agree to that. These other obligations which you spoke of, such as insurance policies—well, of course, that is something again that I should rather transfer to direct commitments to banks or other institutions where you, perhaps, are under obligation to make annual payments from which you might not be able readily to relieve yourself. Doesn't it come down to some obligation of that character that could be the only justification for putting you in a category distinct from most Americans who live on \$10,000 a year or less? [Laughter.]

The CHAIRMAN. Senator, I think you put that ten thousand just a little high. That is what Senators get, but you had better get down to the \$2,400 bracket.

Senator BREWSTER. I tried to be extremely liberal in this matter. I didn't want to indicate that I might not be the subject of bias myself.

You see the problem in a democratic world, Mr. Reed?

Mr. REED. It is a matter of degree, Senator Brewster. I am not sure that I see it, except as I recognize, unquestionably, that there are compensations that vary widely over a range that may or may



not be justified by one's individual capacity or his contribution. The subject, it seems to me, is so broad and involves such a wide field of social and economic study that I certainly am not qualified to discuss it and argue it.

SENATOR BREWSTER. It has seemed to me that the three or four hundred dollar-a-year men must give very serious consideration to this problem. I don't know what the answer is. I have great confidence in Mr. Nelson and will support him to the limit, if he feels that this should be carried on, but at the same time we do recognize the necessity also of unity among all our people, the feeling that no one is taking advantage of the country's necessities to either advantage themselves—

MR. REED (interposing). Are you suggesting that the dollar-a-year men want to be down here, Senator?

SENATOR BREWSTER. I want to finish what I am saying—to either advantage themselves or their company, or even to retain the status quo. No; and I don't want to give any implication that any of you men have sought these positions, because I have no reason to think that is so. I think you have been called here. You have been called here because your talents have been recognized to be very great.

MR. REED. In my own case, having been here 14 months, my board has twice requested me to return, and twice I have remained on, once at the specific request of Mr. Knudsen last fall, when Owen Young came to see him to deliver the message of the board, and the other time just last month when I was again requested to return for imperative matters that my company needed me for, and at the written request of Mr. Nelson, I was again authorized to remain for a few months. So that I am sure you didn't mean to imply it, and I assure you it isn't so that dollar-a-year men are here because they want to be here, or here because they are sent to serve interests that lie elsewhere than here in Washington.

SENATOR BREWSTER. There has been only one suggestion in the evidence earlier in our hearings which has a bearing on you, and which, I think, you probably ought to comment on, because it presents another question here like Guthrie. Although this antedated, as I understand, your association with the Government, it does imply a certain philosophy of approach which I think would be possibly the subject of misunderstanding. This is the memorandum of Mr. F. A. Howard, head of the Standard Oil Development Co.<sup>1</sup> I don't know whether you are familiar with the memorandum which was introduced before our committee, which did apparently imply that you were seeking some special advantage. I will read the memorandum, and then you can comment on it. This is under date of July 24, 1940, which, I believe, was before you were associated with the Government.

MR. REED. If I may interrupt just for a moment, Senator Brewster, when the notice of that memorandum which Mr. Thurman Arnold read before this committee some weeks ago, appeared in the papers, I sent a message here to the committee, asking for permission to be heard on it, and I was then told that I might do so at the proper time and that I would be notified. I was also given to understand that that subject would not be discussed this morning.

<sup>1</sup> See Hearings, Part 11, Exhibit No. 401, appendix, p. 4632. See also ff. pp. 4319-4320.

The only reason I have any hesitancy about it at all is that I have at my office copies of six or seven letters which I think will throw that whole picture, insofar as General Electric was involved, into completely clear outline. I can, if you wish me to, comment verbally and from recollection on that situation, and will be glad to do so if the chairman wishes me to do it. It has nothing to do with the War Production Board, as you have indicated.

Senator BREWSTER. It has a very great deal to do with you, however.

The CHAIRMAN. I think, Senator, that the witness was informed that this would be confined strictly to the War Production Board. We did inform him that when this subject would be brought up, he would have ample notice, and he was not notified that he would be questioned on it this morning.

Mr. REED. I will be glad to waive that. I will be glad to make a statement, but I simply wanted the record to be clear that I do not have copies of the correspondence that I intended to make a part of the record.

Senator BREWSTER. Perhaps I would like to supplement the record in my own behalf by stating here that this was not of my own origin, but this memorandum was handed to me just now by the counsel of the committee, which I took to be an implication that it was a matter to which inquiry should be addressed.

The CHAIRMAN. I don't think so, Senator, at this time. We are going to continue on that program at a later date, and I would much rather have that entered in the record at that time.

Senator BREWSTER. It is a matter that is immaterial to me except as it bears on this whole question, and I leave it to the judgment of the Chair and Mr. Reed.

The CHAIRMAN. I think we will go into it at the later date. Do you have any other questions, Senator?

Senator BREWSTER. I wish you would correct the record to show that was given to me by the counsel, which I assumed was intended to be a subject of questioning. Will you please clear the record and the counsel as to what happened?

The CHAIRMAN. The record will be so cleared. It is not a matter which should have been brought into the record at this time. It will be brought in at a later date, and I will give you an opportunity—

Senator BREWSTER (interposing). I have no interest whatsoever in the matter. I don't understand this.

The CHAIRMAN. I am sorry.

Senator Mead, do you have a question?

Senator MEAD. Mr. Chairman, not being here for the entire session this morning, I have just a few observations, including a question or two.

My observation is that it occurs to me to be a question of judgment as to whether or not this set-up was the most efficient set-up to undertake the war effort that could be devised. Under the law, we couldn't match salaries and therefore, I suppose the salary question was waived, and these men were called here to serve on the dollar-a-year basis. But resolving itself into a question of loyalty, there are probably conflicting loyalties involved—loyalty to the administration, loyalty to the war effort, and loyalty to the industry involved.

I, for one, assume that loyalty to the war effort is paramount in the minds of everyone, because whether you are a dollar-a-year man or a

Member of Congress, a workman, a farmer, your relations, your family are out there in the war effort under the selective service law on the same universal plane, and everybody has a direct connection with the war effort. That is true in your family. It is true in my household. It is true in everyone's.

They certainly can't convict the administration or the W. P. B. or anyone else of being biased in their selections from the standpoint of either civil-service examination or degree of loyalty to the party in power, because, very wisely, I believe, the men that head the War Department and the Navy Department and the War Production Board are not of the same political alignment. Therefore, there is a severance of interests that allows perhaps a greater freedom of operation and administration.

Now, there might be a loyalty to the industry that would interfere occasionally with judgment—judgment tempered by a devotedness to the war effort, and yet a judgment that might allocate too much to one industry and not enough to another, a loyalty that would require conversion of an industry quicker and more completely than conversion in another.

To allay any possible criticism, and because I believe that the quicker and more completely and more universally we go into the war effort, sacrificing everything that possibly can be sacrificed insofar as non-essential and essential production is concerned, it occurs to me that you ought to formulate a universal conversion program and apply it to every industry and require it as quickly as the conversion in every industry can be accomplished.

There would be no favoritism to any industry—to the electric industry, to the aluminum industry, or to any other industry. Instead of these piecemeal conversion orders, there ought to be a universal conversion policy.

MR. REED. You mean not industry by industry, but horizontal across the entire country?

Senator MEAD. Horizontal across the entire country, of course accommodating itself in a practical manner industry by industry, but horizontally across the country.

For the maintenance of essential equipment, for the manufacture of parts for essential equipment, and for the manufacture of new equipment of a peacetime essential character, we should have an all-out, superorganization similar in scope and power to the organization now headed by Nelson and related to his organization, to restore intermediate plants, independent manufacturers, and small business, to take care of the essential and nonessential activities that are needed until the end of this emergency. So it occurs to me that you men, serving as you are in a very helpful capacity, occasionally menaced probably by judgments that may be in conflict industry by industry rather than in conflict with the war effort, ought to adopt an over-all policy for the immediate conversion of every industry possible to the war effort, showing favoritism to none.

Secondly, for the complete restoration of the thousands of plants that have been rendered idle as a result of necessary rationing and allocation and restrictive war orders, if such a policy were adopted, an over-all policy, it would be very helpful.

A short time ago the President issued an Executive order calling for the authorization of direct loans to business to bring them into the



production field. I understand that hasn't been completed by the necessary directives and subsequent instructional orders. That ought to be hastened. It occurs to me that if we had a horizontal conversion policy affecting every industry and showing no partiality, they couldn't criticize you men in your individual capacities, and secondly, if we had serving under Mr. Nelson, completely divorced from your activities, a productive agency whipping into the essential and the war production industries all these intermediate plants that are now idle or growing more and more inoperative, the story of the dollar-a-year men, which will always be a story to be criticized and to be applauded, would probably read much better than is the case at present.

I believe that the dollar-a-year men are doing an over-all job that is characterized by the real spirit of American loyalty. I think that Mr. Nelson deserves a vote of thanks. I think that many of the men under him are rendering great service. But it occurs to me that there is a criticism that will linger long after they have completed their task. One criticism will bear directly on the large casualties in the field of independent small business and, secondly, on favoritism, whether it is logical or unreasonable, in the conversion of certain big enterprises prior to the conversion of certain so-called favored enterprises.

I have those two recommendations—

Mr. REED. Thank you.

Senator MEAD (continuing). And I think that they ought to be given consideration and that W. P. B. ought to do everything possible for their speedy adoption.

The CHAIRMAN. Mr. Clark, did you have a question?

Mr. CLARK. Mr. Reed, are you familiar with Administrative Order No. 4, in regard to dollar-a-year men making decisions affecting their particular industry?

Mr. REED. Yes, sir.

Mr. CLARK. Am I correct in saying that you said a short while ago that you were working toward eliminating any branch chiefs that may be making such decisions?

Mr. REED. Any branch chiefs that are drawn from industries for which they are responsible.

Mr. CLARK. Am I to understand from that that there are branch chiefs operating under you, making decisions affecting their particular industries?

Mr. REED. Yes.

Mr. CLARK. Is that in compliance with Administrative Order No. 4?

Mr. REED. No, sir.

Mr. CLARK. Can you give us an explanation for that?

Mr. REED. Yes, sir. I have before me a list of the branches. The administrative order that you speak of came after the fact. I inherited these branches, as you know, in January, and each of them had a chief. No new branch chiefs have been established that were inconsistent with the order, and in a good many cases changes have been made. I say in a "good many" cases—in some cases, because there weren't very many of them in total. Changes have already been made to conform the branch chiefship to the policy.

Now there are only two left. One is the Food Supply Branch, Mr. Douglas C. Townson, from Curtice & Co., Rochester. They are food processors and food packers, a very small element in the food indus-



try. Mr. Townson was chief of that branch before the branch came under my jurisdiction. Some thought, as I believe you know, has been given and is currently being given to the creation of an over-all food administration here which would coordinate the food activities of a good many different governmental agencies. If that were done, and if it were developed, it would automatically and immediately correct any technical lack of conformance with respect to Mr. Townson. In any event, Mr. Townson is a man of such high integrity and complete responsibility that no one in the industry or elsewhere has registered any complaint. It is, as I have said, technically not in conformity with the rule, and unless the over-all food administration program corrects that picture for us, we will presumably in due course take steps to do something about it.

The other one is in the Furniture and Bedding Branch, Mr. Brower. He is head of and owns a small furniture manufacturing company in Grand Rapids. I think they have 50 people working for them. They have no Government business at all. Mr. Brower knows of the situation. I have discussed it with him. He is ready to step down, and I had expected and I had hoped before today to be able to announce that I had a successor for him. I have a man who thinks he will be able to be here about 10 days from now, but I have not been able to get a definite confirmation on that.

Mr. CLARK. In the meantime, the retention of those men is contrary with Administrative Order No. 4. You concede that?

Mr. REED. I don't agree to that because Mr. Nelson, who is the promulgator of those orders, knows the facts and is thoroughly acquainted with the situation and does not regard these instances as violations, except as technical ones. He has given me whatever time I need to make those replacements without interfering with the job that we are trying to do down here.

Mr. CLARK. I see. That applies to Mr. Brower, the branch chief, who was formerly under the Durable Goods Section. Is that correct?

Mr. REED. Yes, sir.

Mr. CLARK. You changed that, didn't you?

Mr. REED. Yes, sir. We took that and other parts of the Durable Goods branch—

Mr. CLARK (interposing). You transferred that particular section out of the Durable Goods branch?

Mr. REED. I did.

Mr. CLARK. And at the time that you transferred that section, was there a curtailment order ready for that particular industry?

Mr. REED. I can't answer that without checking. I don't know.

Mr. CLARK. What was the purpose in taking that section out?

Mr. REED. The branch was altogether too large. It embraced some one hundred and fifty odd industries. One of the first things I saw that it was necessary to do when I took the responsibility for those branches was to break them down, and, as you know, we have already created ten new branches since I got the original fourteen. The Consumers' Durable Goods Branch is now substantially smaller than it was. It is still too large, in my judgment. But that is just one of the steps taken to break away units and sections that we could properly set up as branches by themselves. That had no connection with any order. I don't know what you are talking about, but I assure

you that it had no connection with any order. Do you mean the delay of issuing an order?

Mr. CLARK. Well, perhaps I could make myself a little clearer.

Mr. REED. Thank you.

Mr. CLARK. Our records show that there were numerous conferences held with a view to drastically curtailing the metal furniture industry for war work. When an order was drafted and ready for release, Mr. Brower was brought in on February 6, the section was taken out of the Durable Goods Branch and put in another branch and a final order wasn't formulated until some months later, April 1, to be exact. I would like to know whether there was any significance in transferring the section.

Mr. REED. None.

Mr. CLARK. None whatever?

Mr. REED. None whatever. What branch of the industry are you speaking of, Mr. Clark?

Mr. CLARK. Metal furniture.

Mr. REED. Is that what you are speaking of?

Mr. CLARK. The section that you placed Mr. Brower in charge of and took out of the Durable Goods branch.

Mr. REED. There has been an order out before April 1 on that, Mr. Clark.

Mr. CLARK. The order was drafted as of February 6 and wasn't released until a month and a half later.

Mr. REED. I think you are mistaken. There has been an order out in that area long since.

Mr. CLARK. I would like to take you back again to the refrigerator question. On February 10, our information is, that there was an accord reached by the interested parties, the members of the W. P. B. and Civilian Supply, setting the date of curtailment as of March 31. Am I correct?

Mr. REED. No.

Mr. CLARK. And it was agreed to meet the following day, February 11, at which time an order was to be drafted. On February 11, our information shows, Mr. Evans appeared as your personal representative. He had been there for only 4 days. He was appointed on February 8. However, there were numerous conferences back in January and February on this particular point. Is that correct?

Mr. REED. There had been discussions on the question, as I understand it, yes; I hadn't sat in any of them, but I am told that there had been.

Mr. CLARK. So these interested parties had a pretty good knowledge of the situation, did they?

Mr. REED. By "these interested parties," you mean the members of the branch?

Mr. CLARK. That is right.

Mr. REED. Mr. Hammersley and Mr. Maury?

Mr. CLARK. Yes. And also the representative of Civilian Supply, Mr. Henderson's representative. Am I right?

Mr. REED. They had had discussions, so I am informed, before that.

Mr. CLARK. And when Mr. Evans appeared, he appeared with a proposal, didn't he, at your suggestion, extending that curtailment date to June 30 rather than March 31?

Mr. REED. No; that isn't an accurate statement.

Mr. CLARK. Well, how did that June 30 date come about?

Mr. REED. I have stated and repeated all that I know of that situation. I will be glad to do it again, Mr. Clark. The date had been discussed at this February meeting. I speak from hearsay only. I attended neither the 10th nor the 11th meeting. It had been discussed—this March 31 date that you have spoken of. On the following day, they were talking about the same shut-down date, but at that point, there was injected into the picture, as reflected in the letter that came from Mr. Henderson to Mr. Knowlson,<sup>1</sup> that that was not an honest shut-down date and that there was going to be an appeals policy that would in effect make that date a subterfuge in that they would carry on into June or some such time.

All I can say to you is that I didn't attend the conference. I am informed by Mr. Evans that that understanding and agreement was never reached, that Mr. Stein, who was at the meeting for Civilian Supply, misunderstood the situation, and I believe he did charge, as I am advised, Mr. Maury with saying, "Oh, well, you will grant all these appeals as they come along as a matter of course, and I don't like that."

It was as a result of that kind of misunderstanding between them that that letter was written. At no time did Mr. Evans suggest, so he tells me and so he has testified under oath, that there be any postponement of the shut-down of the refrigerator industry to June.

Mr. CLARK. Wasn't the basis of Mr. Henderson's memorandum of February 12 the fact that on February 11 a new plan was proposed and Mr. Stein reported back to Mr. Henderson that they had changed the date from March 31 to June 30? And they reconvened and discussed Mr. Henderson's memorandum?

Mr. REED. I think if you will read that memorandum of Mr. Henderson's, you will find that the date was not changed but that the effectiveness of the date was changed, that an appeals policy was to be utilized, according to Mr. Stein, which would in effect guarantee that Mr. Maury or Mr. Guthrie or whoever had to pass on these appeals—and in fact, I think he mentioned Mr. Guthrie would pass on these appeals—would be granting them and therefore that he couldn't count on a shut-down as of March 31.

Mr. CLARK. When Mr. Evans went to that conference February 11, he went with the knowledge that a date had already been agreed upon, didn't he?

Mr. REED. I don't know.

Mr. CLARK. Don't you know that?

Mr. REED. February 11? I am not sure.

Mr. CLARK. He was your personal representative. Isn't that what we are to understand?

Mr. REED. Yes.

Mr. CLARK. What instructions did you give him?

Mr. REED. I gave him no instructions.

Mr. CLARK. You just sent him in as an expert?

Mr. REED. Sure, exactly. He was there as an expert who knew something about the industry, and he was there as a consultant. We have a great many consultants in these branches, who come from industries and are there simply to answer questions, to give technical data, to gather statistics.

<sup>1</sup> Exhibit No. 489, appendix, p. 5283.

I gave Mr. Evans at no time any instructions as to how he should conduct himself, what suggestions he should make, or what kind of order they should work out. I made it very clear to him that he was down there for the very reason that neither Mr. Knowlson nor I wished to take part in any way—and we didn't.

Mr. CLARK. A compromise date was reached, April 30. Is that correct?

Mr. REED. It wasn't a compromise date. It was a date which everybody—labor, Civilian Supply, and the branch—agreed on as the right date—not compromise, but the right date, because they wanted the industry to keep manufacturing until April 30 to provide a stock of refrigerators for defense housing, for Navy or Army, for lend-lease, for export, and for hospitals and other things.

Mr. CLARK. My purpose in asking the question is that the continuation or the extension of the date correspondingly would reduce the materials and supplies and parts which could have been conserved and rededicated to the war effort.

Mr. REED. In fact, there was very little, if any, new material required. All of the material that went into refrigerators during that additional thirty days was frozen at the manufacturers' level and is held for rationing for essential civilian or military requirements. It didn't freeze anything up as far as commercial sales are concerned.

Mr. CLARK. Thank you. I would just like to ask one more question. During the period since you took over until March 14, which happens to be the date of Mr. Guthrie's resignation, our records show only six curtailment orders issued, but from the March 14 date there have been quite a number of them, approximately 50.

Mr. REED. Will you repeat that, please? Between January 5 and March 14 there were six curtailment orders issued only?

Mr. CLARK. That is right.

Mr. REED. That isn't right.

Mr. CLARK. You give us the correct figure.

Mr. REED. I certainly will.

Mr. CLARK. What is it?

Mr. REED. I haven't got it here, but I know that is wrong.

Mr. CLARK. Why not accept ours until you get yours?

Mr. REED. I know the figure is wrong, Mr. Clark.

Mr. CLARK. I beg your pardon.

Mr. REED. I have given to you in my statement the information that subsequent to March 14, twenty-five curtailment orders were issued—major ones, important ones. There were actually more than that, but there were twenty-five subsequent to March 14 that amounted to something.

The CHAIRMAN. Our records here, Mr. Reed, show that there were six previous to that time on major industries; that is, automobiles, bicycles, electric ranges, incandescent lamps, musical instruments, and lanterns; and that after that, these twenty-five to forty orders were issued after March 14. We were just wondering if the hurry-up hadn't been brought about by Mr. Guthrie's resignation.

Mr. REED. If I may answer that, I would like to repeat a statement I made in my prepared statement right to the point. If you will excuse me, I can do it more briefly this way.

The CHAIRMAN. Proceed.



Mr. REED (reading):

Mr. Guthrie would have this committee believe that his resignation on March 14 has had the effect of convincing the War Production Board that all-out conversion is essential—

The CHAIRMAN. I don't claim that it convinced the Board that all-out conversion was essential. I think probably they were convinced, but they have moved a little faster, I think, as a result of it.

Mr. REED (continuing).

And that the numerous limitation and shut-down orders which have been issued since March 14 have been the direct result of Mr. Guthrie's departure—which is closer to your point.

The CHAIRMAN. That is the point, exactly.

Mr. REED (continuing).

For this reason I had the records reviewed yesterday afternoon and I wish to present as an exhibit for the record—

it is attached to your mimeographed copies—

a list of the 25 important limitation orders which have been issued by the War Production Board since March 14.

That is the day Mr. Guthrie left.

This exhibit indicates the approximate date, taken from the work records of the Industry Branches, when the first draft of the order was prepared. Of these 25 orders, 23 had been developed to a point which enabled counsel to make a first draft of the final order before Mr. Guthrie's departure. In other words, 23 of the 25 orders were well under way at that time. These orders—

and this is to your point, Mr. Clark—

are in addition to 48 curtailments or shut-down orders which had been issued in the weeks prior to Mr. Guthrie's resignation.

That compares with your figure of six. I don't understand the difference, but I will be glad to have them analyzed.

The CHAIRMAN. I will appreciate it.

Mr. REED. Also a total of 91 conversion orders.

Mr. CLARK. I will accept that. I understand it is six in the durable goods industries.

Mr. REED. I see.

Mr. CLARK. That referred to the durable goods industries.

Mr. REED. I didn't get that break-down of it, Mr. Clark.

Mr. CLARK. In that connection, did Mr. Knowlson issue a memorandum on March 16 calling upon the branch chiefs to expedite all curtailment orders, to get them off their desks?

Mr. REED. Yes; he did; addressed to the branch chiefs, yes, and also to the Bureau of Priorities, to clear them.

Mr. CLARK. In other words, they—

Mr. REED (interposing). There were a number of orders that were in the works, in the mill, and we had had several discussions on it. I was out of town at that particular date. We had had a number of discussions on how to expedite, how to speed up the work, and that was not the first time that had been done. It had been done the week before. Also, and on a broader scale, study was made of all the orders that were in process in the branches, and then we gave them a date to shoot at and said, "It must be out by such and such a date," in order to expedite it. That is right. But those discussions were before Mr. Guthrie departed.

Mr. CLARK. Could you tell us, Mr. Reed, the date of the first administrative order setting out the procedure regarding conversion, the first plan of procedural machinery to be followed regarding conversion under your jurisdiction?

Mr. REED. I think that you will—do you mean the first written one?

Mr. CLARK. That is right. I assume you had written memoranda to guide these branch chiefs.

Mr. REED. I think you will find in the minutes, which were delivered in each case to the branch chiefs, of staff meetings that about the 1st of February the procedure to be followed by the branch chiefs in connection with conversion was outlined. It was within a week or 10 days after that. Remember, again, that the War Production Board's reorganization was effective January 26. It was about 10 days after that that I engaged a full-time specialist on this subject of conversion, Mr. W. B. Murphy, who has been studying ever since and who has been working with the branch chiefs since sometime late in March, as I recall it. After he had three times addressed the branch chiefs in staff meetings and had given them specific instructions, his procedures as he had developed them to date, were formalized in a communication which I sent to the branch chiefs.

Does that answer your question, Mr. Clark?

Mr. CLARK. Only for the fact that our records show that the first order was February 23, and that there was a subsequent order of March 17 reaffirming that policy. So up to February 23 you had no written plan or formula for this conversion program. Is that a correct statement on my part?

Mr. REED. I would have to check. I would say that the minutes of our staff meetings I know—I don't think, I know—they showed discussions and specific instructions to branch chiefs earlier than that. As I say, I had a full-time man working on nothing else and talking to them every day, beginning about the 10th of February.

Mr. CLARK. I said the first written plan.

Mr. REED. That may be. I don't know. I don't deny it, but I would have to search in order to be sure.

The CHAIRMAN. Senator Ball?

Senator BALL. Mr. Reed. Mr. Guthrie criticized the permission to the radio industry to use, he said, enough aluminum in January and February to have made three bombers a month; in other words, letting them use up their inventories continuing in civilian production. I take it from your previous testimony that you feel that that was justified to keep together their skilled workmen, their production force.

Mr. REED. Yes, sir.

Senator BALL. In the long run, that was the most efficient policy?

Mr. REED. Exactly, and that is frequently so. You can set the war effort back terribly by pinching pennies and wasting pounds in this matter of material. There are other things than material involved in production. There is labor, and there are skilled and integrated working forces and facilities. And it is a matter of balance, and each one has to be considered. The very fact that the Under Secretary of War himself got into that radio thing and made the point that we must not let those organizations and trained labor be lost and

destroyed for lack of materials indicates that you can't be dogmatic about this matter of conversion and of shut-down.

Senator BALL. The fact is that they have been shown more consideration, probably, because we need the production facilities more and they are more important to the effort than these smaller outfits scattered over all the country.

Mr. REED. This applied to all the radio manufacturers, large and small.

Senator BALL. But most of them are large.

Mr. REED. As a matter of fact, the larger ones didn't really need that.

Senator BALL. They didn't?

Mr. REED. They didn't need that. They were all so far converted over, anyway, to the war work, producing secret and other radio apparatus.

Senator BALL. Yes. In view of your statement that Guthrie never talked to you about firing any of his assistants——

Mr. REED (interposing). About firing?

Senator BALL. Yes; about getting rid of any of his assistants, I would like to have your comment on this portion of his testimony. He is talking about a shortage of textile-producing capacity which he claims made it essential to plan production ahead and stock pile.

He said:<sup>1</sup>

Months ago I directed the consultant in charge of cotton textiles, Mr. Walton, to prepare such a program. His inability to complete such a program within a reasonable time led to my decision, early in March, to make him my deputy in an advisory capacity without any executive responsibilities, replacing him as chief of the cotton section. Mr. Reed approved this, but Mr. Walton refused to accept the change. Coincident with his refusal, Mr. Houghton, Mr. Reed's deputy, informed me that the branch was to be split in two and that I might continue as Chief of the Clothing and Leather Goods Branch.

Mr. REED. That, you may recall, happened after there had been a very serious blow-up under Mr. Guthrie among his own people in the Textile Section of that branch. They had threatened mass resignations, and the matter had come to my attention through Mr. Rice who is referred to there, reporting to his chief, Mr. MacKeachie. When I learned of it I then talked with Rice and MacKeachie with Colonel Stevens in the Quartermaster Department, and discovered that conditions underneath Guthrie were bad, that his people were most unhappy, and they weren't able to work with him, and that his attitude and manners were such that they just weren't able to get together. They weren't able to get along.

Senator BALL. This is the first I have heard of this. When did this blow-up happen?

Mr. REED. It has all been covered very thoroughly in the testimony before the other congressional committee.

Senator BALL. I haven't read that. When did this occur?

Mr. REED. February 24 the members of this Textile Section had a dinner, as I recall it, at which, it was later stated, they were preparing to resign in a body and make a petition to Mr. Nelson about Mr. Guthrie and their inability to work with him and his inability to handle his job. That came to me through Mr. Rice's hearing about it and going to Mr. MacKeachie. That is what created this review of the situation

<sup>1</sup> Supra, p. 4965.

down in his branch, and that is the first time we learned that he was not on top of it, that he was not able to compose differences; as they described it to us, he was exceedingly arrogant and egotistical and they couldn't get along with him. He surrounded himself with these young and able young men who, however, didn't know the industrial technique. It is just a question of personalities and management. Mr. Guthrie wasn't able to deal with them, that is all. As a result of that, I talked with a number of them—Walton, Marriner, Leary, the counsel, and several others, Stevens, who was in the branch, and I had a long talk with Mr. Guthrie himself. My objective and my effort was to make peace. I recognized that the pressures were such that people fly off the handle sometimes, and I thought I had it fixed. We recognized certain weaknesses in the organization, and it was as a result of that that he speaks of Mr. Walton having been transferred to a deputyship of the branch. When I left for a 10 days' absence, I thought that the matter was going to work itself out. In my absence, it didn't, and there were other flare-ups, and it became necessary for Mr. Houghton, who is my deputy and who was acting in my absence, to decide what to do. We had previously considered, in line with our policy of making these large branches smaller, talking to Mr. Guthrie about cutting up that branch of his, and I told him that it must happen.

It takes in all leather goods, all clothing, all fibers, all textiles. It is too much. It ought logically to be smaller, and so Mr. Houghton said, "All right. We are up against this kind of impasse now. We will split up the Textile Section of Mr. Guthrie. We will leave him to remain as chief of the Leather Goods Section and of the Clothing Section, which in itself is a man-sized job, and we will move out the Textile Section because they just can't get along together and we can't deal in personalities. We have to get this job done." It was then that Mr. Guthrie decided that he couldn't stay on, that he went to see Mr. Nelson, and left.

Senator BALL. Did you split up the section? Have you done so?

Mr. REED. No; Mr. Guthrie left, and Mr. Ben Alexander has been acting as chief. I want to and I will as soon as I am able to find just the right kind of man who is not from the industry who I am satisfied can step in and not impede the operation there, you see.

Senator BALL. Where is Alexander from?

Mr. REED. He is president of Masonite Co., a building-materials concern.

Senator BREWSTER. When I was interrupted by a definition of the limits within which this examination might be conducted, there was one point which I hadn't developed which perhaps comes within the scope of this inquiry.

Mr. REED. Excuse me. Perhaps I shouldn't have interrupted at all. But I think my own position as a W. P. B. official probably should not be, from the standpoint of Mr. Nelson and all his associates, confused with my work as a General Electric man; and I spoke from that standpoint and from only that standpoint. I would be delighted to comment on it.

Senator BREWSTER. I think that it will be desirable in view of the fact that it has been brought out. As you recognize, I think, it would be desirable to clear it up as rapidly as possible.

Mr. REED. I agree.



Senator BREWSTER. I realize this isn't the day to do it. You did use the phrase, I think, that in the problems which were presented, you felt that the dollar-a-year men tended to lean over backward to avoid any suggestion of self-interest or selfish interests.

Mr. REED. Yes, sir.

Senator BREWSTER. Do you realize that the implication of that is that a possibly wrong decision might be made because of your personal complication?

Mr. REED. You mean wrong in the sense of furthering the war effort?

Senator BREWSTER. From the Government standpoint, yes. That you lean over backward, of course, implies that you go to the limit to avoid anything that savors of selfish influence.

Perhaps your concern ought to have a war order, and you hesitate because of your identification.

Mr. REED. Possible, but remote, Senator.

Senator BREWSTER. I wouldn't want, in any discussions which may follow this thing, to have any implication in my questioning that I, at any rate, have formed any final conclusions on this dollar-a-year matter. I assume that certainly none of you are going home in a peeve because we have asked questions. I hope and believe that our motives are as pure as yours, and we want to get at this thing right. I do think you have got seriously to examine this question of the large compensation of dollar-a-year men with the implications that you can't get on less. That is as far as I want now to go, and I certainly don't want to embarrass Mr. Nelson by hampering his effort. He feels he is dependent on you; and, as long as that prevails, we certainly don't want to rock the boat.

The CHAIRMAN. Well, I want to say to the Senator from Maine that the letter on which he had started to question Mr. Reed had reference to the rubber situation and referred to the General Electric Co.'s interest in that rubber situation, and we are continuing the rubber hearings at a later date and Mr. Reed will be given a chance to answer and discuss that memorandum in his capacity as president of the General Electric Co. He is down here now as an officer of Mr. Nelson's organization, and I simply made the ruling on that because I didn't want to mix them up. I wanted to ask you one question, Mr. Reed and then, as far as I am concerned, we are through. Are you in accord with Mr. Nathan's memorandum, which was read into the record yesterday, with cutting out red tape on this conversion program?

Mr. REED. Yes, sir.

The CHAIRMAN. Are there any other questions? The committee will recess until 10:30 tomorrow, when Mr. Nathan and Mr. Knowlson will be the witnesses.

(Whereupon, at 1:15 the committee adjourned until 10:30 a. m., Thursday, April 16, 1942.)



# INVESTIGATION OF NATIONAL DEFENSE PROGRAM

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THURSDAY, APRIL 16, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE TO INVESTIGATE  
THE NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:40 a. m., pursuant to adjournment on Wednesday, April 15, 1942, in Room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman); Harold H. Burton, and Ralph O. Brewster.

Present also: Mr. Charles P. Clark, Acting Chief Counsel.

The CHAIRMAN. The committee will come to order.

Mr. Nathan, have you been sworn with this committee?

Mr. NATHAN. No, sir; I have not.

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in the testimony you are about to give before the committee, so help you God?

Mr. NATHAN. I do.

The CHAIRMAN. Be seated, Mr. Nathan. Will you please give your name to the reporter?

## TESTIMONY OF ROBERT R. NATHAN, CHAIRMAN, PLANNING COMMITTEE, WAR PRODUCTION BOARD

Mr. NATHAN. Robert R. Nathan.

The CHAIRMAN. What's your position with the Government, Mr. Nathan?

Mr. NATHAN. At the present time I am chairman of the planning committee of the War Production Board.

The CHAIRMAN. What was your position before that?

Mr. NATHAN. Before that I was chief of the Requirements Branch in the Bureau of Research and Statistics of the War Production Board.

The CHAIRMAN. And had you been with the Government previous to that time?

Mr. NATHAN. Yes; I had been with the Government for some 7½ years prior to being with the war effort, having been with the Department of Commerce for many years.

The CHAIRMAN. What was your position in the Department of Commerce?

Mr. NATHAN. Chief of the National Income Division in the Bureau of Foreign and Domestic Commerce, taking charge of studies in the field of income.

The CHAIRMAN. You are still on a Government salary in this position in which you now serve?

Mr. NATHAN. Yes, sir.

The CHAIRMAN. That is, you are not on a dollar-a-year basis?

Mr. NATHAN. No, sir.

POLICY OF RAPID CURTAILMENT OF CIVILIAN PRODUCTION TO EXPEDITE  
CONVERSION PROGRAM

The CHAIRMAN. You sent a memorandum to Mr. Nelson, I believe, Mr. Nathan, in regard to conversion, which was read into this record the other day, and I would like to know the reason for you sending that memorandum to Mr. Nelson.

Mr. NATHAN. I might, if I may, Mr. Senator, mention that the planning committee was first appointed about the middle of February, and that committee has stepped into a number of problems concerning policies peculiar to the War Production Board. One of the problems that it had not entered into officially was that of conversion, but in the middle of March I personally sent this memorandum to Mr. Nelson, feeling that it was necessary for us to curtail the production of consumer durable goods very rapidly and very sharply in order that both the materials which were being consumed then in the production of these consumer durable goods would be made available for the war effort, and the machinery and equipment which were being used in the production of these goods would be made available for fabricating war products.

The CHAIRMAN. Had any steps in that direction been taken before you sent this memorandum, by the section of the War Production Board that had that in charge?

Mr. NATHAN. Yes; there had been a number of orders issued, starting many months ago, cutting down on the production of many consumer durable goods, one of the first being the automobile order which, if I recall rightly, was initiated in the spring of 1941, providing for a 50-percent curtailment of automobile production in the model year 1942; and then subsequently, in January of 1942, the passenger-car production was completely curtailed. During the fall and winter months of 1941 and 1942 there were a number of orders issued which curtailed percentagewise the production of many consumer durable goods; and in the spring of 1942—that is, some months ago—there were orders, I know, in process of preparation which were going to provide for the complete curtailment and complete cessation of production of these goods.

I might say, Mr. Senator, that being in the planning side rather than in the operating side of the War Production Board, I am not completely familiar with every detail of every order nor with the negotiations that were proceeding or taking place in the determination of these orders, but I was very much interested in the general results of the orders and what general tendencies and general trends were taking place in the curtailment of civilian goods production and in the conversion of these industries.

The CHAIRMAN. Was there some objection to the immediate conversion of the durable-goods industries into war production?

Mr. NATHAN. Undoubtedly there was resistance by industries in certain areas against giving up the production of normal civilian



goods, certainly by some companies. The conversion of a plant from the production of civilian goods to the production of war goods is not an easy matter. It means giving up the production to which firms have been accustomed over years; it means giving up the markets, the channels of distribution; it means giving up efficient and profitable operations for uncertainty, for products which are difficult to make, which provide many technical and challenging problems to them. It means entering into uncertainty instead of an area of much greater certainty; it means for some companies, unless the conversion is done industry-wide, the giving up of competitive advantages to others in the same industry; and by and large, I think we must realize that the curtailment of durable-goods production and conversion of peacetime industries to war production is a difficult and a hard task to perform and a hard task to accomplish, and not one which is readily acceptable and readily received, and I believe, not one which can be expected on a completely and wholly voluntary basis.

The CHAIRMAN. I notice here in your memorandum that you say:<sup>1</sup>

These seem like drastic recommendations. Attempts to put them into action will be answered by saying that we need more information; that we should not proceed so precipitously without making sure that the inventory of the needed goods is sufficient or that the necessary military and civilian requirements can be fed from this inventory.

Mr. NATHAN. In almost every case, as I understand it, Mr. Senator, there have been requests that there be a survey made of what inventories were in process. There is a real question, that is not a closed-and-shut case, as to when an industry should be converted; when an industry should be shut down; when the civilian-goods production should be curtailed. In some cases the industries come in, as I gather it, with a statement concerning a vast quantity of fabricated materials which will require only assembly operations and the product can continue to be produced with relatively little effort. In other cases, the inventories are less adequate and they need some new raw materials for fabrication purposes. Frankly, I believe that if curtailment of consumer-goods industries is based entirely on what inventories they have available to them and giving them time to process and fabricate and assemble these inventories, there is going to be a great deal of time and a great deal of materials lost in continuing the production of civilian goods rather than getting those materials into war production quickly and getting those industries into war production.

The CHAIRMAN. Are you acquainted with Mr. Guthrie?

Mr. NATHAN. I never met the gentleman, sir.

The CHAIRMAN. You heard something about what he testified to before this committee, I presume?

Mr. NATHAN. Yes, sir.

The CHAIRMAN. And before the House committee.<sup>2</sup> Are you in agreement with Mr. Guthrie's contentions that there had been an effort on the part of Mr. Reed, we'll say, to prevent the conversion of industry to war production?

Mr. NATHAN. Truthfully, Mr. Chairman, I don't know whether there is really any justification in the one contention or the other, because I never sat in any of the industry branch meetings. I never sat in any of the discussions concerning the curtailment or conversion

<sup>1</sup> See Exhibit No. 490, *supra*, p. 4977.

<sup>2</sup> A subcommittee of the House Military Affairs Committee.

of any particular industry. My views on this whole matter of conversion stem from observing these orders and what the provisions are, and I frankly feel very strongly, as indicated in this memorandum, that the conversion of consumer goods industries must be prompt and it must be vigorous, and it must be in some measure arbitrary; and whether or not in the industry branches and in the discussion relative to various industries there were points of views that were contrary and whether it was Mr. Guthrie or Mr. Reed that was in the right, I frankly don't know. But I do feel that the conversion must be prompt and must be vigorous and must be rapid.

The CHAIRMAN. Well, now, in making your surveys, plans for these conversions, how much weight do you give to the civilian necessities? For instance, when the truck manufacturers were prohibited from making more trucks, was any consideration given in your plans for the making of parts to keep the trucks running—those that were on the road?

Mr. NATHAN. I never had anything particularly to do with it myself, but the planning committee is now interested in this problem and what criteria should govern this whole matter of limitation of conversion. I think that certainly we must realize that in the war program the success of war production depends in some measure—in considerable measure—on continuing and maintaining essential—critically essential—civilian production. If we need trucks to transport materials that are related to the war effort or essential civilian materials, we must provide for the spares and replacements. But I believe, on the other hand, that we must be very, very critical of what these civilian demands are—these essential civilian demands—and we must, I believe, try to bend over backwards in cutting down these estimates of civilian requirements.

The CHAIRMAN. There isn't any question but that most of the civilians are interested primarily in the war effort carried to the *n*th degree, but you must also bear in mind that in order to carry that war efforts to the *n*th degree you have got to keep the wheels rolling back home just the same as you have on the front. I just wonder whether your planning board has given that phase of the situation consideration, particularly with respect to transportation.

Mr. NATHAN. We haven't officially, Mr. Chairman.

The CHAIRMAN. Don't you think you ought to do so?

Mr. NATHAN. Definitely. We are just starting in on that conversion problem now. I certainly agree with you that the essential civilian operations that are really closely related to the war effort must be given consideration. But I might add this: That I think the American people are so completely and wholly dedicated and determined to have this war won and won quickly that they are going to be willing to do lots of things which we may, offhand, not be assured of. Take, for instance, the case of filing cabinets or safes or typewriters. I believe that if the Government made an appeal, and it probably will, for people to turn over their typewriters, turn over their filing cabinets, turn over safes that are absolutely of necessary use to the Government in order to continue direct war operations or essential civilian operations, I think that the response would be quite impressive.

The CHAIRMAN. I don't think there is a doubt in the world about that. I think they will do anything to help win this war. But what I

am getting at is whether your planning board has gone into this situation in such a way so that it won't be necessary to have another pots-and-pans fiasco. We don't want any more foolishness like that, because that takes the morale away instead of adding to it.

Mr. NATHAN. You are absolutely right, Mr. Chairman. We are just getting into this whole matter of conversion and the principles which should guide conversion and concentration of production.

Senator BURTON. Mr. Nathan, I am interested in your approach to the question of conversion, because, I take it, the conversion will be successful in proportion to the amount of forethought that is given to the way in which it is done. When it is done it is very difficult to back-track and undo what you have done. Therefore, I gather that your first test is, Are there raw materials being used in some nondefense industry that are essential in defense industry? Is there some manufacturing equipment being used there that is essential in defense industry? Having determined that, then that is the primary factor in your reasoning?

Mr. NATHAN. That is right.

Senator BURTON. And then you would convert. But it seems to me that your particular contribution can be made in the way in which you convert, assuming that you do find that there are materials needed for defense purposes and there are facilities needed for defense purposes. Now, you don't want the result of conversion to be an idle plant from which you have taken away materials. You want to set that to work immediately on defense work. Does your planning division, therefore, go into both the matter of stopping the nondefense operation and the substitution for it of a defense operation so as to avoid idleness and lack of use of existing facilities?

Mr. NATHAN. I believe, Mr. Senator, that that two-sided aspect of conversion is very, very important. The one is the curtailment in order to save the raw materials and in order to make available the equipment for war work. That is the one side of the picture. The other side is seeing to it that these plants get war work. I think both of those are very important and rather complicated. I believe that on the one side, the curtailment of industries, the closing down of civilian goods production helps the second. The automobile industry did receive large contracts in 1940 and in 1941. But the very substantial proportion of those contracts were for brand new plants. It really wasn't until the decision was made to close that industry and close it down tight in terms of passenger-car production that you began to get a tremendous volume of contracts placed in the automobile industry.

Now, this war effort of ours is so big, so vast, with these tens of billions of dollars involved, that to control the war effort from Washington and say, this company will produce this specifically; that company will produce that specifically, is a very difficult and very complicated task, and what one must do, it seems to me, is to take advantage of the natural force, the natural interests of everyone, and when you close down a company tight in the terms of civilian-goods production, that company's own interests call for its going in and trying to get war work, its finding out itself what it can produce and going after procurement. Now, it is obvious that you can't just leave it to chance, that you close them down and let them go look. As you close these industries down you must try to survey their facilities and find out what they can do and what kind of production, and then bring together your procure-



ment people and the people who are doing the curtailing and see what you can do about getting production into those plants very quickly and very promptly.

Senator BURTON. Therefore, your planning division does take to itself the constructive side of the uses of these plants as well as the stopping of their nondefense production.

Mr. NATHAN. Yes, sir.

Senator BURTON. That brings me to the next question. It is obvious that we must stop some nondefense production, and that is done by a general order. Now, then, when you stop a large plant, like the automobile manufacturers, from producing their nondefense product, you can readily pick them out and say, "Well, now, you will undertake some defense product"; but when you issue that blanket order and cut out, we'll say, the use of all aluminum, all materials, you not only shut down the big fellow, but you shut down a tremendous number of little fellows. Now, what are you doing to restore them to activity?

Mr. NATHAN. Well, in the first place, I might put my neck out and say that I firmly believe that in this whole war effort we are going to have to be pretty tough and pretty harsh about deciding that the war program comes first, and if aluminum is essential to keep a small man in operation who just can't engage in war production, I am afraid it is going to be too bad for him.

Senator BURTON. May I interrupt you just there?

Mr. NATHAN. Certainly.

Senator BURTON. I agree with you on your premise, but I then take up the next premise. The very purpose of a planning division, as I see it, is to see to it that that hardship is minimized.

Mr. NATHAN. That is right, sir—minimized.

Senator BURTON. With the greatest possible intelligence and that, therefore, you go all-out in finding some way to put that little fellow to work.

Mr. NATHAN. Well, the principles which I would suggest, Mr. Senator, and which we are developing are, first, that the small enterprises or all enterprises which are being curtailed, because of either these conservation orders which do not permit the use of a particular material or a limitation order which cuts off production of a finished product, should be brought into war production, as quickly and expediently as possible, by placing war contracts therein. Secondly, if the plants cannot be easily adapted and easily adjusted to the war effort, try to maintain your essential civilian production in those plants that are least adaptable and take those plants which are most adaptable and turn them over to war production.

I think third, and perhaps equally important, if not more so, is this problem of subcontracting, seeing to it that the companies which obtain contracts do not get lots of new tools and build lots of brand-new plants, so that other plants will be idle while they have new plants: see to it that the development of new facilities and the obtaining of new tools is minimized and that they subcontract these operations to those who are able to do the job with their existing plants. That is the positive program which we are proposing.

Senator BURTON. Now, then, to be a little more concrete, could you outline to us what, if anything, you do when, as a result of the order to stop manufacturing automobiles and selling automobiles, the dealers as



an incident, practically go out of business? What do you do about that?

Mr. NATHAN. Frankly, Mr. Senator, we haven't done anything about that yet. I am very much concerned about it. I feel that the demands for workers and for supervisory personnel and for white-collar workers and factory workers is going to be so great under this war work that industry, as such, will be given a real opportunity to get into other kinds of work that are more directly related to the war effort. That doesn't solve the problem of what do you do about the plant; what do you do about the man's rent, and what do you do about his mortgage and his interest and his depreciation; and I am not sure at this point what proposal we should make on that, Mr. Senator; whether there should be some kind of specific relief related to these continuing overhead expenses so that the man can at least keep his store or his little plant greased and cleaned and ready for operations when this is over. Just exactly what kind of relief should be proposed, frankly, I am not ready to suggest, Mr. Senator. But I think something is going to have to be done in that direction.

Senator BURTON. Well, as I get it, it is clear that the man can't take care of himself very well under these circumstances and for that purpose we have planning divisions to see what can be done.

Mr. NATHAN. That is right.

Senator BURTON. To do it in the most effective manner.

What can you say as to the status of our conversion from nondefense to defense purposes at present? Have you suggestions as to the way it should be done or the extent to which it should be done as it now stands?

Mr. NATHAN. Well, as Mr. Nelson indicated in a press conference a week ago, the production of consumers durable goods is literally going to be stopped as of May 31, some few extensions to June 30.

Senator BURTON. May I ask you right there on that concrete point, what is your opinion of this suggestion that when you shut down an industry, there be reserved out of the shut-down, say, one plant or one industry or some source of a small amount of that product that is essential even in war conditions? What do you think of that?

Mr. NATHAN. I think that is the only way to continue. Well, first let me say, Mr. Senator, if it is agreed that some production of that product is essential, and you can't get it through requisitioning, you can't get it through voluntary contributions, then I think the production should definitely be concentrated into one or more plants and I believe that if you set the criteria of confining that production to the plant which is least adaptable to war production, you help solve the other question you have raised.

Senator BURTON. It is obvious that you can't let each of them do a little.

Mr. NATHAN. No, sir.

Senator BURTON. You have, through over-all planning, to concentrate that at some place.

Mr. NATHAN. Without any question. For instance, if you take 10 plants, and each plant runs at 50 percent, I am sure you are never going to get the 5-plant equivalent in conversion. In other words, if you close down 5 altogether and let 5 continue, those 5 that you close down are going to get into the war effort to a much greater degree than would half of each of the 10.

Senator BURTON. Would you proceed with the general discussion of the shut-down and pick-up?

Mr. NATHAN. I think that as of May 31, and certainly the very latest on June 30, we are going to find ourselves with this civilian durable-goods production very completely curtailed—very substantially eliminated, that as a consequence we are not going to save a great deal of raw material from cessation of this production; we are also, I think, going to get a great deal of materials through requisitioning the inventories that will be left in these plants. Now, in terms of the procurement side of this conversion the placement of contracts Mr. Nelson has talked with the procurement people within the War Production Board and within the armed forces and impressed upon them the necessity for getting war work into these plants immediately. Now, Mr. Senator, I don't know much about production in a very realistic sense, I only know what some machines are like and what they are used for. But I do know that some war production can be entered into with prompt results and others it takes many, many months. Now, it may be that some of these industries are going to be closed down, and they are going to be without business, and they are going to lose their staff for a while until they get into war work. On the other hand, I think most of them, and certainly those that have been far-sighted, are going to be so far established already in war work that whatever curtailment of employment they have won't be very serious and they will continue to operate.

Now, as a positive step, Mr. Nelson has definitely ordered that these industries be brought in and brought in as promptly as possible. As another approach we are also taking steps to see to it that in the production of war work there be a minimization of new facilities and new tools. You see, theoretically, you can conduct a war program by building all new plants. It would just be grand if we had new plants from one end of this country to the other, with nice new shiny tools, and when they got into operation the products would just roll off. But if we, on the other hand, rely on conversion rather than brand-new plants, it means we are going to get production much more promptly; it means we are going to save lots of materials which otherwise would go into tools and equipment.

Senator BURTON. And save a lot of money, too.

Mr. NATHAN. A lot of money, and finally and very important along the lines you are asking, Mr. Senator, is that you are going to save a lot of dislocation, because, if we rely too much on new plants and new facilities, we are going to find ourselves, in spite of all our wealth in terms of raw materials, with lots of plants idle and lots of brand-new plants running and consuming the materials. Now, if you had had the time to wait and you had the money and everything else that goes with it there would be some advantage to build tremendous new plants, as I think they did in Germany, as distinguished from England. The Germans had the time to build new plants, and when they really got going they had efficient plants; but in England they didn't have the time, and there you had relatively few new plants built. I believe that we are taking steps now to try to curtail and minimize new plants and new tools, and by doing that we will, of necessity, force a greater use of existing industrial facilities.

Senator BURTON. Before leaving that field, would you state concretely what, if anything, is being done and who it is being done by,

to take care of the smaller business—meaning a plant employing 200 or fewer men?

Mr. NATHAN. Well, what is now being done is that the Division of Contract Distribution, formerly headed by Mr. Odell and now under the Production Division of the War Production Board, is concerning itself still and very strongly with this matter of subcontracting and getting contracts in the hands of the smaller enterprises.

Senator BURTON. May I ask, are you familiar with the legislation that recently passed the Senate providing for a corporation that would take contracts and then sublet them?

Mr. NATHAN. That is right, sir, I am. And I think Mr. Nelson is looking forward to the setting up of an organization for executing the provisions of that bill, which I think are going to be very, very helpful to small business.

Senator BURTON. Then, in your over-all planning, you are definitely planning to promote the survival of small business in these small communities all over the country, if possible. You are including that in your planning and effort.

Mr. NATHAN. We are, Mr. Senator, and I believe that is consistent with everything that is democratic and everything that is consistent with a competitive economy. On the other hand, I do believe that we must realize that in saving these small businesses we must save them in the best way possible consistent with the war effort, and not perhaps by letting them chew up aluminum and copper and zinc and things of that nature which can be used for war work.

Senator BURTON. Agreeing fully with that, we do want a country after we get through with the war, and we don't want it all in big cities but all over the country.

Mr. NATHAN. Absolutely right, Mr. Senator.

Senator BURTON. May I ask you, do you feel that the progress up to date has been satisfactory on the various conversion schedules, or are there some spots that you would point out where it has been too slow and there would be advantage to us in learning from those examples?

Mr. NATHAN. This matter of conversion is really to a considerable extent a matter of opinion. Take this problem of how long it takes a plant to get into operation. I have heard many people in whose judgment I have a great deal of respect saying that once a decision is made that an industry is to be curtailed—not curtailed, closed down, let us say—that it is desirable to give them some time in which to get war work and get into that war work. Now, if you close down an industry tomorrow and it has no war work, there is no question they are going to lose all their workers and they are going to lose that continuity of force, that continuity of their whole productive effort, which may be very damaging, even in their getting into war work. How long that takes, I frankly don't know.

Secondly, I think that there is a real question of judgment as to what you ought to do about a company that has known for a year or 6 months or 9 months that the raw materials are going to be tough to get and should have gone out on its own initiative and gotten war work and hasn't done so. I mean, should we penalize others who have done that, by letting this company continue for some time? Those are matters of judgment and in my own opinion I feel that the more severe, the more vigorous, the more critical, the more harsh, the



faster you close them down, the better. I say that there is a matter of judgment in that.

Senator BURTON. We learn by concrete experience. What is your opinion as to the conversion of the refrigerator industry? Was that sufficiently rapid and is that all right now?

Mr. NATHAN. That will be closed down now in a matter of a couple of weeks, and whether it should have been closed down a month or two earlier or whether it should have extended beyond the 2 weeks, I certainly would say this: That it shouldn't be extended beyond the 2 weeks from now when it really is scheduled to be closed down. I think, if through positive measures it would have been possible to have gotten them into war work quicker, it would have been desirable to close them down before April 30.

Senator BURTON. But, we are on the right track now and moving all right now.

Mr. NATHAN. We are moving definitely on the right track, Mr. Senator, in this conversion. I feel that Mr. Nelson is now putting conversion orders, limitation orders, and conservation orders through at a pace with which really nobody could take issue. At the present time, the tempo is desirable and as fast as anybody could want. That is in putting orders through. As to whether they should be closed down in less than 2 months or less than 6 weeks from now, as most of them will be, is really a very difficult question and one which depends—well, let me give an illustration. You have an industry which has lots of fabricated inventories. Let's say it has a million dollars worth of fabricated inventories and it can assemble those without fabricating another piece of raw critical material. Let's say that its inventories, if salvaged, would yield very little materials, and by letting them go ahead and fabricate that they keep their staff in operation and then they get into war work easily. That is something that is hard to cut down, but on the other hand, you may have some firms which have a lot of fabricated inventories because they have been getting materials that they shouldn't have been getting and if you had scrapped them and salvaged them you would get a whole lot of copper and things that would make a lot of catridges and machine guns.

They have been negligent in getting war work. Maybe in those cases it might be a good idea to say, "O. K., gentlemen, tomorrow is the day, and you are through."

Senator BURTON. Are there any particular industries that you feel now should be converted that have not been ordered to be converted? Is there any pending delay that has come to your attention?

Mr. NATHAN. No; there are none now, Mr. Senator. Frankly, I think some limitation orders might be reviewed now—not orders that you close down completely, but take the typewriter industry. I think that we might well reappraise that order and make for greater curtailment and appeal to the people to get second-hand and reconditioned typewriters into the hands of the Government and into the hands of war industries.

Senator BURTON. What about radios?

Mr. NATHAN. Radios are just about through. The radio industry is one in which apparently the people who know the thing technically did ask for a continuation of civilian production so that the know-how would continue; so that they would have their workers and plants



continue until they really got into some of these war-used radios, which are pretty complicated.

Senator BURTON. Now, what about woolen goods? As I understand, there is a difference of opinion as to whether there is a shortage of wool or whether there isn't a shortage of wool.

Mr. NATHAN. Frankly, I am not familiar with the details of it, Mr. Senator. I haven't looked at the wool picture for some time. When I was head of the Requirements Branch in the Bureau of Research and Statistics, I know we did make estimates of requirements of raw materials, and, as I recall our studies, there were indications of definite wool shortages. And from that background of the figures, I would say that certainly if Australia becomes a problem in terms of source of wool, we are going to be in very grave danger of a major wool shortage, and even without that I think it is very likely that we will have a deficit.

Senator BURTON. I understand that the people from the wool States indicated that there is surplus of wool and that sort of thing.

Mr. NATHAN. I personally say, from my recollection, Mr. Senator, that there wouldn't be any justification in that contention.

Senator BURTON. You have not made a recent investigation of it, have you?

Mr. NATHAN. No; I haven't very recently.

Senator BURTON. Thank you.

The CHAIRMAN. Mr. Clark?

Mr. CLARK. Mr. Nathan, would you give us the situation regarding raw materials in relation to war demands at the present time?

Mr. NATHAN. In general I would say that at the present time the supply of a great many raw materials is definitely inadequate to meet the direct military demands, the indirect military demands, and anywhere near the quantity of civilian demands for which people have buying power. We are definitely short of raw materials today. Now those shortages of raw materials in some areas have become so extensive that unless, through curtailment orders, conservation orders, or very severe priorities, you eliminate the nonessential uses, the war effort is going to suffer and suffer very severely. For that reason, I believe very strongly that the civilian uses of these critical materials must be curtailed and curtailed very severely and very promptly. Otherwise, there is no question that if these competitive demands of a nonessential character are permitted to continue, the war effort itself will suffer, and suffer very much.

Mr. CLARK. Then you would say that the situation is rather acute as far as raw materials are concerned?

Mr. NATHAN. The situation is certainly acute in terms of raw materials and it can only be eased by the conservation of raw-material used for civilian purposes. I think it can be eased somewhat by requisitioning the materials that are in the hands of these civilian-goods industries. But even with that easing, I see no hope in the future that the raw-material supply is going to become adequate and abundant relative to demand, even the demand for war purposes, and certainly I believe that if there is no other justification at all for curtailing civilian-goods production, one can make a complete and rational justification on the basis of raw materials alone.

Mr. CLARK. Would you say that those raw materials were of a major character in the durable goods industry?

Mr. NATHAN. There is no question about the fact that the durable goods industries rely primarily on the critical materials. You start down the line, and you go from copper to zinc and aluminum, and steel, and nickel, into the alloys of tungsten and vanadium and chromium and magnesium. Take all of these critical materials. There is no question but that your big demand in peacetime and your big nonessential demand now is completely in the durable goods industries.

Mr. CLARK. When should this factor have been taken into consideration? When did the situation regarding raw materials become acute or leading up to a status of acuteness?

Mr. NATHAN. Well, Mr. Clark, it has varied, depending on different materials. The acute shortage of aluminum has been known and understood, and adjustments made for it more than a year ago. Copper became short for total demands last summer and last fall. Steel has become short relatively recently for total demand. I think that with the growing buying power in the hands of the people because of the war work, we have had an increased demand for consumers' goods that manifests itself in increased production. In 1941 our production of consumers' durable goods was tremendous relative to the earlier years, and it was that increased buying power and that increased demand of consumers' durable goods that in itself caused this shortage of raw materials to arise. It has been some time now that it has been obvious to most people. I would say, that there is going to be a definite shortage of raw materials and a definite interference with the war effort unless we cut down nonessential uses.

Mr. CLARK. Then your recommendation that the "normal production of the durable-goods industries must be ruthlessly ceased" as of March 16 would not be consistent, shall we say, with this 2-month period for readjustment that is now being given in these curtailment orders, and is also inconsistent with the program enunciated by Mr. Nelson, setting the dates of May 31 and June 30. In other words, the progressive using up of these raw materials is going to cause a corresponding diminution of these materials. Is that correct?

Mr. NATHAN. Well, there is no question that as long as you permit materials to be used in nonessential purposes, the supply available for the war effort is decreased. I mean there is no question about that.

Now about this matter of permitting 2 months for readjustment, about the only thing I can say is that it is a matter of judgment as to how long you should let them run in order to run down these inventories that they have, and there you must have a finely balanced scale of whether it is more advantageous to scrap inventories and save that metal and close them down immediately, or whether it is more advantageous to let them run to keep their force in operation so that they continue their staff. It is a complicated problem, and all I can say is that I personally believe that the quicker you close them the better.

Mr. CLARK. It isn't a complicated problem to conserve raw materials, is it?

Mr. NATHAN. No; not in the conservation of raw materials, Mr. Clark. I think in the conservation of raw materials, as a matter of fact, if that were your only criteria and there were some salvable values and salvable materials in these fabricated shapes of various types and sizes, then I would say there would be no question that their cutting down immediately would be the answer.

Mr. CLARK. Don't you think that that should be the over-all criteria? Without the raw materials you have no employment; you have no manufacturing. What do you have without the raw materials?

Mr. NATHAN. I think the raw materials should be the primary criteria myself, but I do think that the other criteria of getting these industries converted, which is the second half of the problem Senator Burton raised, is a rather important one, of seeing to it that these industries get into war production: that these plants are utilized in the production of guns and tanks and ammunition and parts of ships. And that criteria cannot be entirely ignored.

Mr. CLARK. Now, in connection with that, with regard to the industries that have prefabricated parts on hand, is there any justification for letting them go ahead in assembling those parts into the end product?

Mr. NATHAN. I would say that there would be only a justification for that if two conditions prevailed. First, if by letting them go ahead and fabricate or complete the fabrication of those parts, they are permitted to keep together so that they will be more effective in war work later on, then I think you are justified in completing it. The second justification, I might say, is if in those fabricated parts there is so much scarce material that the salvable and usable amount for war purposes is significant and the dislocation of work is so great that immediate closing down is completely obvious and apparent as an unjust decision, then I would say that you should not cut them off.

Senator BREWSTER. In the automobile industry, which was the largest case of conversion, there was a suggestion that there was going to be a terrific period of unemployment in that conversion. To what extent has that materialized?

Mr. NATHAN. Figures are very inadequate to provide definite conclusions these days, because we are in a period of such sharply rising employment in the industries that are already in the war effort, and it is hard to say what actually happened in one industry or one special community. But I have talked with people from Detroit and from Michigan, and the evidence that I have from those people is that the total unemployment in Detroit arising out of closing down the automobile industry is much, much less than the people originally thought was going to result.

Senator BREWSTER. Have you been able to get any really worthwhile statistics on that?

Mr. NATHAN. The one figure I did have came from a source I thought was fairly reliable, and it was that the increase in unemployment was somewhere in the vicinity of 150,000, whereas they had expected an increase of 300,000.

Senator BREWSTER. We were up there, as you know, Monday, and I was very much impressed at Ford and Chrysler, where I got the reports that Ford was way ahead of anything he had ever had in employment, I believe, and that Chrysler was not far below.

Mr. NATHAN. That is right, Mr. Senator, but I do believe a lot of that increase, you see, had accumulated before the close-down date. As of the close-down date, they had a lot of people employed in the Chrysler tank arsenal who had never been there before, and Ford had lots of people in the Willow Run plant getting ready. So what happened was that there was a dropping off as of January 31, but that



dropping off wasn't very severe because there was so much greater total employment and such an accelerated rate of employment increase in the preceding period that the hardships were insignificant. I sincerely feel that the argument that there would be a great deal of unemployment—

Senator BREWSTER. Has been pretty much dissipated.

Mr. NATHAN. Has been pretty much dissipated, and I think it is encouraging lots of representatives of labor to come into some of these industries and actually ask that the industry be curtailed—that production of civilian goods—despite the short unemployment that may result be shut off.

Senator BREWSTER. You feel very positively that if you do shut them off, they will pretty quickly adjust themselves?

Mr. NATHAN. I think they will not only very quickly adjust themselves, but I think that these workers are needed and will be needed very shortly in war work.

Senator BREWSTER. I understand you have gone rather thoroughly into this small-business problem, so I will try not to repeat it. But I have had an apparently reliable report, even within the last day or two, that hitherto the problem of conversion hasn't been particularly sympathetically operated. I saw Mr. Nelson's statement. Do you feel that there has been wholehearted cooperation throughout your organization to accomplish the survival of the little fellow? If that is an embarrassing question—

Mr. NATHAN (interposing). No, it is not embarrassing, Mr. Senator. As I said before, really, being in the planning side rather than the operating side of it, I have never attended an industry meeting where they decide on these curtailments, and the only reaction I have generally is one of principles, that the curtailment must be rapid, must be severe. I think that right now, the issuance of orders and the widespread coverage of these limitation orders is very encouraging.

Senator BREWSTER. What I have noted, in talking with the people in private industry, is that the minute you mention subcontracting to the big manufacturers, the atmosphere gets cool.

Mr. NATHAN. Sure.

Senator BREWSTER. To what extent that is reflected in their comrades here in Washington, I don't know. They talk much more sympathetically, but whether they talk the same way to their associates without, in the field, I don't know. It is a problem.

Mr. NATHAN. I think the problem of subcontracting, Mr. Senator, is a little different from the one of conversion and closing down.

Senator BREWSTER. Well, they both ramify to the same end.

Mr. NATHAN. Yes, they both ramify to the same end. As I said before, it seems to me the best way to get subcontracting is to attack it both on the positive side and the negative side: on the positive side by going out into the field and finding out what capacities are available for the production of items. If you go into a certain plant and they are waiting for a certain gun mechanism, find out what part of that mechanism is needed or is lagging and who can produce it, and if they are waiting for new tools, find the plant that has those tools. That is the positive way to get subcontracting done.

I think the negative way, the one which I described a minute ago, is to be very tight-fisted in giving anyone a new facility. When placing contracts with these companies, say, "You are just going to have



to produce this gun with the facilities you have or with the facilities that you are able to obtain through subcontracting. We are not going to build a nice new plant for you." I think by doing that and being very critical—and there have been cases where amazing results have been performed by people who know production going out into a plant and saying, "No, you don't need all these tools. Look, let's take this old tool and rig it up." Or, "There is a little fellow down the street who can produce this part with the tools he has." I think if you attack it on both the positive and the negative sides—

Senator BREWSTER. My guest at breakfast this morning reported a conversation overheard in the Mayflower Hotel, of three highly indignant people who had been here several days trying to get somewhere. They had \$2,000,000 worth of machine tools absolutely idle, and they couldn't get anywhere, even to first base. I understand that isn't very good evidence, but it is more or less typical of what seems to be the feeling among the smaller fellows.

Mr. NATHAN. There is no question that it is difficult, Mr. Senator. I think that when they get to Washington they probably become more frustrated than they do anywhere else. After all, this procurement must be decentralized. It must be done in the field. It must be handled right down in every community. We all know that there are people with different capacities and different abilities and different attitudes, and in some communities, I am sure, that subcontracting job has been done much more vigorously than in others. The only thing to do is to give the direction and the guidance and the push from Washington and then hope that the impetus will be taken up on the outside.

Senator BURTON. I have just one or two questions, Mr. Nathan.

You mentioned the need for cutting down on some nondefense production that will reduce the supply of consumer goods.

Mr. NATHAN. Yes, sir.

Senator BURTON. Is it within your part of the Planning Division to consider whether or not we shall have a rationing scheme at this point?

Mr. NATHAN. Well, the whole problem of rationing has been assigned by Mr. Nelson and delegated to the Office of Price Administration—Mr. Henderson. We haven't been requested by Mr. Nelson nor by Mr. Henderson to do anything along that line, and, frankly, the problems that have come before the planning committee are so voluminous already that this is one that we just haven't gotten into.

Senator BURTON. That is what I wanted to get clear. You do not undertake the responsibility for a rationing program at this time; neither do you undertake the responsibility for plans for cutting the demand, stopping inflation, adding taxation, and using their money for bonds, and all that sort of thing.

Mr. NATHAN. We have not, sir, but I think, frankly, that the people in Production—that is, the War Production Board—may have to begin to take an active part in that whole inflation problem, because there is no question that inflation isn't an abstract, vague concept from the production point of view. It impinges right on production and affects production.

The CHAIRMAN. Mr. Clark, did you have another question?

Mr. CLARK. Mr. Nathan, you stated a short while ago that you were not familiar with operations, but were interested in results.

Mr. NATHAN. That is right.

Mr. CLARK. I take it that that prompted you to draft this memorandum of March 16 regarding the durable-goods industries and the branches having jurisdiction over such industries.

Mr. NATHAN. I believe, Mr. Clark, it was a combination of a zealous desire to see the results in terms of war effort, and, second, a feeling that having been engaged in planning, there were certain policies and principles that should be laid down.

Mr. CLARK. In other words, you weren't satisfied with the administration of the durable-goods industry branches?

Mr. NATHAN. Well, I don't know whether one could draw that conclusion from it. I would say that as of that date I felt that it wasn't a matter of administration; it was a matter of policies and judgment. I felt that the curtailment of civilian-goods industries had to be stepped up, and stepped up very rapidly, and I will say that I think Mr. Nelson and the rest of the people who are concerned directly in the operational sense with that have come around and the thing looks really good now from almost any angle.

Mr. CLARK. We appreciate that. But back on March 16 you asked for reappraisal as to what was being done in the all-important durable-goods industry, and you say <sup>1</sup>—

These industries provide an important pool of resources which are not being tapped sufficiently.

Mr. Reed, in testifying before the committee yesterday, states <sup>2</sup>—

As we have already seen, the policy of promoting conversion of civilian industry to war production by curtailment orders had been adopted and put into execution long before Mr. Guthrie's resignation.

How do you reconcile that statement of Mr. Reed's with your recommendation that there be a reappraisal of the consumers' durable goods industries?

Mr. NATHAN. Well, I think, Mr. Clark, it is completely and wholly a matter of degree. There were limitation orders put out cutting the percentage of production of many industries as long ago as last fall, and there were many of them this spring, and the real question is a matter of judgment as to whether or not they were cut sufficiently and whether or not they were cut quickly enough and whether or not the termination date was fast enough, and I personally am of that school which thinks that in a war effort you bend over backwards and cut and cut quickly even though—well, I should say, even though in the long run it may be less advantageous than going slowly; even though there are people who were just cautious, who would say you should go a little more slowly. I feel that we should go rapidly on it.

Senator BREWSTER. You feel, as Senator Smith of South Carolina says, if you make a mistake, you want to make it on the right side.

Mr. NATHAN. Well, you want to make it quickly, maybe.

Mr. CLARK. As you know, Mr. Nathan, the reason for asking the question is that these hearings are predicated on a letter of Mr. Nelson to Senator Truman, the chairman, asking for an investigation of Mr. Guthrie's charges concerning Mr. Reed.

Mr. NATHAN. That is right.

Mr. CLARK. Now, I should like to ask you this question. Mr. Reed testified that his Bureau had "the entire or the active cooperation and

<sup>1</sup> Exhibit No. 490, *supra*, p. 4977.

<sup>2</sup> *Supra*, p. 4998.

understanding of American industry and the support and confidence of labor and consumers." Would you say that was a correct statement?

Mr. NATHAN. I really don't know. I say that sincerely because, not having been in part of the operation of it, I think it would be completely a matter of hearsay for me to say there was 100 percent cooperation or 100 percent enthusiastic reception, or 70, or 50. It would be a completely hearsay statement.

Mr. CLARK. It wouldn't be hearsay to give an opinion reflecting the attitude of the American people and industry with regard to this conversion program, would it?

Mr. NATHAN. I think the attitude of people and of industry as a whole is that they want to get into war production; they want to get rid of the nonessentials. Now, on the other hand, there is no question, as I said when I started, that it is to the interests of certain companies or individuals to continue to engage in the type of work they are engaged in. It is the easiest thing to do. It is tough for a soldier, for instance, to leave a community where he knows everybody and a plant where he has been engaged and just drop everything and go into an entirely new environment, an entirely new set of people. It is the same kind of problem that is involved in a plant's giving up completely the production of a commodity which it has been engaged in for a number of years, that it knows how to produce, and go into a brand-new one. Naturally, there will be variations in the degree of enthusiasm with which one plant or an industry will go into that sort of change. I am sure the conversion problem hasn't been easy sailing right along from one step to the next. On the other hand, I don't know from first-hand observation or first-hand participation just how much dissension or how much cooperation or how much enthusiasm or how much lethargy actually prevailed in these various meetings and decisions.

Senator BURTON. Mr. Nathan, if I may interrupt for a moment, your illustration of a man going into the service interests me because it is the same type of problem and it can be met in proportion as the intelligence of the assigning board puts the man in the right place.

Mr. NATHAN. Absolutely.

Senator BURTON. If they will put this man in the right place in the Army where he can do what he is an expert on doing, he will make a great contribution and like it. And if you can put your plants and your small plants and your other plants to work promptly doing something, through intelligent planning, they will be at maximum use and they will like it.

Mr. NATHAN. I think that is an excellent illustration, Mr. Senator.

Mr. CLARK. Mr. Nathan, Mr. Reed stated that <sup>1</sup>—

It should be noted that the earliest and most positive concern of the Bureau of Industry Branches was to expedite the speedy and efficient utilization of industrial facilities, labor, and materials hitherto devoted to nonessential civilian uses to the business of war production.

Would you say the record bears that out from your observation?

Mr. NATHAN. Well, Mr. Clark, I think you can test that record in two ways. One, you can test it by getting into their thought and action

<sup>1</sup> Supra, p. 4992.

and expressions in their daily work which I don't know about. And the second is by results. The only thing I can say about results is that it was my personal opinion when I wrote the memorandum that the curtailment should have been much more rapid or I wouldn't have written it. And second, I think today things are good.

The CHAIRMAN. You think there has been a very decided step-up since that memorandum was written?

Mr. NATHAN. No, I wouldn't say that, because that would lead to the conclusion that the memorandum was the cause of the step-up. That would be a self-serving commitment.

The CHAIRMAN. I rather think the record will bear out that answer which I tried to put into your mouth. Proceed, Mr. Clark.

Mr. CLARK. Did you know of any formulated written policy regarding conversion when you wrote this memorandum of March 16?

Mr. NATHAN. No, sir; I didn't know of any.

Mr. CLARK. Did you ever have any conversations with Mr. Reed?

Mr. NATHAN. No, sir. Wait a minute; pardon me. We had one, but it was entirely in relation to a statistical problem where Mr. Stacy May and I talked with Mr. Reed and Mr. Knowlson about getting from the Military Establishments the requirements that they would need of some of these items like typewriters and desks and things of that nature. But it had nothing to do with the policy of conversion.

Mr. CLARK. Would you say the motivating factor in writing that memorandum was the conservation of raw materials so essential to the war effort?

Mr. NATHAN. No; I would say it was two things: Both a conservation of raw materials, and secondly, getting these companies into war work.

Mr. CLARK. That is right, and you weren't satisfied with the progress being made by that particular branch, is that correct?

Mr. NATHAN. I felt at the time that there was need for more speedy conversion and more rapid closing down. You see the implication of what you are asking is whether or not the attitude in the daily operations of the branch were right or not, and that is something honestly I just don't know.

Mr. CLARK. Well, it will eventually be proven whether they are right or wrong in the delays as far as our raw material situation and allocation problems are concerned?

Mr. NATHAN. Yes; very much.

Mr. CLARK. Just a concluding question. Mr. Reed states that "The simple fact is that Mr. Guthrie saw this particular band wagon"—referring to conversion—"rolling down the hill, hastened to climb aboard and attempted to give the impression that he was the driver." Can you tell us about this band wagon? Did you get on that band wagon yourself?

Mr. NATHAN. I guess somebody could characterize this memorandum as a stepladder to get on the band wagon then. There is no question, I think, in looking ahead on this problem, that curtailment of civilian goods was coming. It was inevitable. Either you were going to have an all-out war effort where you were going to put every bit of your



energy and every raw material and every machine to work for war production or you were not going to. There is no question that the tendency was going to be all-out, without any doubt. The only question that is left is the degree and the speed; and I think that the degree to which you convert, the degree to which you curtail, the speed with which you convert and curtail depends upon a set of conflicting forces and ideas and judgment that begin to manifest themselves on this track, and the pace of this train on this track is now very rapid. Whether it should have been more rapid—3 months, 6 months ago—is really a question of conflicting forces and conflicting opinions. And I think we ought to feel grateful that we are on that track and going fast now.

Senator BREWSTER. Now, Mr. Nathan, you know that we have had a pretty bad record on some of the raw materials and the guesses that have been made by some of your predecessors in Government in aluminum and in rubber.

Mr. NATHAN. Yes, sir.

The CHAIRMAN. And copper.

Senator BREWSTER. And copper, lead, and zinc.

Mr. NATHAN. And steel and all the rest.

Senator BREWSTER. You now recognize your responsibility to see that a year from today we don't run into a similar jam; that you will now write the memorandum which at least will clear your record so that a year from today you won't be considered responsible for not having anticipated these things. That is your job.

Mr. NATHAN. It is part of the job—yes; it is the job. But I want to say this, Mr. Senator, that today it is pretty late to start an expansion of raw materials. I mean today you have to turn the other way and conserve. You see, you have two ways to meet a demand. One is to increase the supply; the other to reduce demands. Increasing the supply takes time and, not only does it take time, but it takes raw materials.

Senator BREWSTER. I am thinking exclusively now in terms of war needs—to what extent we are not able to conserve materials.

Mr. NATHAN. Surely.

Senator BREWSTER. We must expand the supply.

Mr. NATHAN. Absolutely, sir.

Senator BREWSTER. And we have had very distinguished authorities suggest within a few days that in both steel and aluminum there may be difficulty next year; and I want to apprise you of that so that a year from today you won't plead the innocence which some of our previous witnesses have before this committee. You know the Stettinius memorandum and the other things that have preceded this?

Mr. NATHAN. That is right, sir.

The CHAIRMAN. Any other questions, Senators? That is all, Mr. Nathan. Thank you.

Mr. Knowlson. Will you be sworn, Mr. Knowlson, please?

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in the testimony you are about to give before this committee, so help you, God?

Mr. KNOWLSON. I do.

## TESTIMONY OF JAMES S. KNOWLSON, DIRECTOR OF INDUSTRY OPERATIONS, WAR PRODUCTION BOARD

The CHAIRMAN. Will you be seated, Mr. Knowlson, and give your full name and connections to the reporter?

Mr. KNOWLSON. My name is James S. Knowlson. My connections—you mean in private life?

The CHAIRMAN. Well, give them both.

Mr. KNOWLSON. I am president and chairman of the board of the Stewart-Warner Co., Chicago; director of Industry Operations of the War Production Board.

The CHAIRMAN. How long have you been the Director of Industry Operations, Mr. Knowlson?

Mr. KNOWLSON. I think Mr. Nelson asked me to take charge of Industry operations shortly after the formation of the Board at the end of January of this year. Prior to that time, I was his deputy in the Priorities Division since September of that year.

The CHAIRMAN. You have been connected with the war emergency set-up since September 15?

Mr. KNOWLSON. September 15, approximately.

The CHAIRMAN. You are still the chairman of the board of the Stewart-Warner Co.?

Mr. KNOWLSON. Yes, sir.

The CHAIRMAN. Are you here on a dollar-a-year basis?

Mr. KNOWLSON. Yes, sir.

The CHAIRMAN. Your connection with this War Production Board places you in control of the so-called conversion program, does it not?

Mr. KNOWLSON. Yes; it does, sir.

The CHAIRMAN. You have, of course, read and no doubt heard part of the testimony this morning with regard to Mr. Guthrie's charge that the conversion program has been willfully held up and has not been put through with the expedition with which it should have been, due to the attitude of some of the men who were in control of the set-up. What is your comment on that?

Mr. KNOWLSON. With your indulgence, I should like to outline the conversion problem as it appears from my—

The CHAIRMAN (interposing). Have you a statement?

Mr. KNOWLSON. Yes; I have.

The CHAIRMAN. Proceed and read the statement.

Mr. KNOWLSON. May I say, in prefacing it, that my job in this industry operations means that I have charge of the Bureau of Industry Branches.

The CHAIRMAN. If you want Mr. Katz to sit with you, it would be all right with me.

Mr. KNOWLSON. I would like to have him hold my hand. This is my first experience with you.

The CHAIRMAN. I don't think you will need a physician.

Mr. KNOWLSON. I don't think I will, either. What I have tried to point out is that I have under my supervision the Bureau of Industry Branches, the Bureau of Industry Committees, the Bureau of Priorities, the Bureau of Conservation, the Bureau of Field Services, and the Bureau of Government Requirements. I am deeply aware of my ignorance in regard to many of the details of what goes on in these branches, because mine is an operating job. And my job, as I have

conceived it, has been more or less to broadly outline the policies and the way we went, and then to see that the men who had the detail charge of the operations carried it out.

Senator BREWSTER. How many do you have under you?

Mr. KNOWLSON. I think there are about 3,700 people in the bureaus here and some 2,000 in the field.

Senator BREWSTER. And how many divisions is that?

Mr. KNOWLSON. There are six bureaus or divisions that come under me.

Senator BREWSTER. That is about 5,000 employees you have under your direction?

Mr. KNOWLSON. About that; yes.

#### POLICY OF GRADUAL CURTAILMENT OF CIVILIAN PRODUCTION TO EXPEDITE CONVERSION PROGRAM

Mr. KNOWLSON. My personal position on the problem of conversion has been a matter of record in my own community and I think it is pretty well known. For over 2 years I had been preaching conversion, not only from the standpoint of patriotism but from the fact that I felt that patriotism and self-preservation went hand in hand; that the people in manufacturing who did not convert were facing very trying times.

As I see it, this conversion problem presented a situation in which we were likely to err either on the side of oversimplification or over-amplification.

Senator BREWSTER. Before you start that—I read a little of your publicity this morning in the paper, which indicated that your own particular concern had gone a very great way in conversion.

Mr. KNOWLSON. I didn't see the publicity, sir, but I have had no contact with my own concern, except twice, since I have been here in September; but if I may make a guess, I would say that (well, they are probably finishing up a few radios and a few refrigerators) over 85 percent of their work today is in war production, and when that is over it will be all in war production.

Senator BURTON. In fact, Mr. Knowlson, you have not been drawing a salary from your own organization while you are here.

Mr. KNOWLSON. That happens to be the fact, sir; yes.

The purpose of conversion is, of course, that of utilizing existing plant equipment for the production of wartime necessities. To carry out that policy involves two requirements: (1) To stop utilizing existing plant and equipment in the production of the materials of a peacetime economy, other than those which are essential to the continued operation of the economy, and (2) to put a brake upon the creation of new facilities to produce the necessities of the wartime economy.

The fact is often overlooked that during the 18 months prior to Pearl Harbor, when rightly or wrongly we did not feel the inexorable pressure of time, all emphasis in the Nation was on the policy of expansion rather than on that of conversion. This would seem to have been perfectly understandable, for we had an enormous body of unemployed workers, extensive unused industrial facilities, and, most people believed, an excess of supplies and materials.

By the summer of 1941 scarcities of materials had begun to be felt. Most of the slack in our national economy had disappeared, but it

wasn't until early last fall that we embarked on even a moderate program of conversion. This program was evidenced by reduced production of quotas for automobiles and other consumers durable goods.

The attack on Pearl Harbor focused attention upon the necessity of conversion, rather than expansion. At exactly the same time, our attention was likewise focused upon the necessity of drastically conserving materials necessary to war production. It became obvious that we had neither the time for orderly expansion of facilities beyond a certain point, nor the surplus in manpower, management, or materials which would be needed to utilize these additional facilities if we built them. It became clear that further expansion of military production was in large measure dependent upon a corresponding and rapid contraction in civilian industry.

Conversion itself cannot be isolated from other phases of the transformation of the civilian economy to that of an all-out-war economy. Conversion is merely one part—an integral part and not an isolated part—of the complex and violent process of diverting men, materials, and machines from peaceful pursuits to those of war. To be thoroughly successful the effort of this transition must be synchronized with the placing of military contracts. The effective demand for war production must as far as possible keep pace with the curtailment of civilian production, for we must recognize the desirability of maintaining going industrial organizations through the difficult period of transition.

The job of making the facilities presently engaged in civilian production available for military production was assigned primarily to our Division, the Division of Industry Operations. The job of utilizing these facilities for war production is particularly that of the services, but the services and our Division have been mutually concerned in an effort to make this transition period as short as possible.

The dramatic shut-down of the great automobile industry on February 1 has led many people to believe that this is the only manner in which conversion can properly take place. They overlook the fact that the automobile industry was in the process of being converted ever since last September, that it was prepared for the shut-down when it occurred. They also overlook the fact that it was already heavily engaged in the production of war materials and that the continued large production of military automobiles and trucks materially simplified the problem for that industry.

It is well to remember that you do not convert an industry. You may stop an industry, but you convert plants and do it plant by plant. In shutting down or curtailing any industry the result of such an action fans out a great deal further than is apparent on the surface. In our action, insofar as the automobile industry itself was concerned, we were at the same time similarly affecting hundreds, and perhaps thousands, of companies whose facilities had been utilized previously for the production of automobile parts and subassemblies. The problems of these secondary companies, while less dramatic, have been nonetheless interesting and important.

Largely, curtailment and conversion have been taking place concurrently—for conversion takes place whenever a plant takes on a war contract to utilize facilities made idle by the direct or indirect effects of either a conservation order, which prohibits the use of cer-



tain scarce materials, or a limitation order, which reduces or stops the production of a product.

Thus, in every case one of our conservation and limitation orders which have been issued we have been taking steps to force the conversion of plants to a greater or lesser degree, and it is our experience that in any industry which we bring in here for discussion of the problem we find that over 90 percent of the plants involved have already some war work—in other words, have, to some measure, at least, been converted.

The ideal, of course, is to have a plant turn to war work with a minimum of lost motion. I wish I could report that our efforts at synchronization have been highly successful, but the course of events has been too rapid for us. In a number of cases, where we have planned brief periods of continued production for civilian industries in an effort to bridge the conversion gap and to enable companies to work off partially fabricated materials to hold their organization together, we are finding that the scarcity of materials for civilian use tends to force some of the companies in these industries to shut down well in advance of the cut-off date.

As a matter of fact, it is becoming clearer day by day that the necessity to conserve materials is of equal or greater moment than the necessity of utilizing production facilities. A few months hence it seems likely that the availability of materials will be a more difficult problem than the availability of facilities, of the taking account of the aggregate of existing facilities and those now being built.

At this point I should like to point out that, according to the estimates of our Labor Division, the demand for manpower in war production will be so great that, whether all existing facilities are used or not, men will have jobs.

Our Division of Civilian Supply has been assigned the task of attempting to determine the maximum extent to which civilian consumption may be reduced to release resources for military need. This, I believe, has been a most important factor in expediting the shutting down or curtailing of industry preparatory to conversion.

I strongly suspect that the point has now been reached or is close at hand when we may find it necessary to give close attention to the maintenance of those minima which are essential to the functioning of civilian economy and preservation of morale. But perhaps that is beside the point. The fact is that whether it has been because we wished to convert facilities to war production, or wished to divert materials to those purposes, we have been checking or entirely stopping our civilian economy far faster than many people appreciate.

The record is plain in the list of priority actions already taken or in process. Mr. Nelson's recent release, a copy of which has, I believe, already been filed for the record with your committee, sums this up.<sup>1</sup>

Some of the problems may interest you. As we go on we discover that a surprising number of industries which at first blush seem nonessential, are at least partly essential to modern war. The armed services require what is apparently a vast number of typewriters; defense houses need stoves and refrigerators. We cannot

<sup>1</sup> See Exhibit No. 492, appendix, p. 5285.

convert the steel-casting industry in its entirety to the manufacture of tank armor for the simple reason that complete conversion would involve disastrous results for our transportation system.

Day by day it becomes more obvious that this problem is one not only of conversion but of diversion with a considerable amount of emphasis on the diversion of materials and the diversion of labor. The construction order may be very disturbing and possibly will not provide facilities, but it certainly will divert large amounts of material. Furthermore, it becomes steadily clearer that the problem of conversion is not one but many problems. It is my considered opinion that there is no such thing as a single conversion policy which can be adopted to fit all cases.

The school of opinion which today advocates the complete shutdown of civilian industries in the belief that the vacuum thus created would be automatically and quickly filled with war contracts is in my opinion based more upon excitement and wishful thinking than upon fact. I believe that the best policy to be followed is that of curtailing production by means of conservation and limitation orders and at the same time crowding war production in factories and progressively forcing conversion without breaking up more than necessary valuable organizations which have taken years to build.

We must bear in mind that our objective is the most efficient utilization of our national resources.

We must not confuse haste with speed. We must not let ourselves become hysterical and create problems which would otherwise not exist. From the standpoint of the military program alone the factor of industrial morale is important and orderly procedures desirable.

As you will see, our first step is basically to put industry on notice that they are in jeopardy; to make, so far as we can, a quick study of the inventory situation, the amount of material in process, the amount of the end production which is necessary for war purposes or minimum civilian economy, and then to decide upon the nearest date when a prohibition or limitation should, in the light of all these factors, be made effective. An order is then issued which, in the usual case, prohibits as of the date of issuance the purchase and receipt of any further critical materials except insofar as they may be necessary in small quantities to complete partly fabricated articles, and also provides a final cut-off date for production, generally 30 or 60 days from the date of issuance of the order.

During this interim period, operations are permitted at a reduced rate based upon the extent to which it is deemed advisable to permit the use of the inventory, and the desirability of keeping the management and key personnel of the plant together during the conversion period. The orders generally provide for permission to fabricate repair parts to the extent possible without the use of scarce materials. The orders require reports on inventories of scarce material on hand at the date of issuance and an estimated inventory at the cut-off date.

So far as possible we discourage appeals, although, of course, we cannot close the door when unusual hardship is involved. Hardship in our Division generally refers to difficulties which would mitigate against the use of facilities for war production; as, for example, difficulties arising out of the fact that a company is financially embarrassed

due to the money tied up in goods in process or due to the fact that their organization should be kept together through a tooling period, but, by and large, we try to solve these difficulties broadly through the order itself rather than through the method of individual appeal. I emphasize this because there have been two schools of thought on this subject. While much can be said for the individual or company-by-company approach, we feel that individual handling gives rise to many inequalities of treatment and administrative burdens which on the whole involve more danger than the broad approach.

By and large, the most difficult problem to be faced is the disposal of inventories which remain at the cut-off date. This problem is a matter of great concern. Step by step we believe that we are solving it with the help of the Defense Supplies Corporation and other agencies set up by the R. F. C., and as we gain experience from day to day.

The materials in the inventories, as disclosed by our questionnaires, fall into three classifications: (*a*) Materials in their primary forms; (*b*) parts semi or completely fabricated from a single primary form, and (*c*) all other parts. Taking care of the (*a*) classification is a relatively simple matter. We establish price schedules for these products, and through the R. F. C. make arrangements to purchase or requisition these materials from the holders. It may be said that this part of the program is in operation, limping operation to be sure, but becoming more effective day by day.

The basis for taking all materials covered by group (*b*) may, we believe, be worked out in about the same manner as that for group (*a*), perhaps, plus a percentage to cover a reasonable part of the prime fabricated cost. We are now in the process of investigating schedules for items, such as forgings, castings, screw-machine products, on the basis of the (*a*) schedules without allowance for manufacturing loss—that is, of material—but plus a fabricating percentage.

Group (*c*) stands as yet as an unsolved class. Thus far we have been unable to develop a formula which will fit this classification. We may be driven to deal with this problem on a case-by-case basis. This complexity can best be appreciated by a hypothetical example. Let's take the case of a radio manufacturer. We can work out a program to buy his copper, aluminum, and other metals in group (*a*) without difficulty. We expect to be able likewise to work out programs for buying parts fabricated of scarce materials. But we may find that he has in his stock a large number of radio cabinets or plastic materials which have been immobilized by our curtailment orders. This material takes up valuable floor space. In addition, he has capital tied up in these materials which he must have if he is going to convert his plant to war production. The materials themselves are of no value in the war economy. The facilities may be badly needed. We are hoping that this phase of the problem will prove to be less serious and difficult than it now appears to be, and that at least each day will bring us a clearer picture.

We must recognize, however, that this process of conversion and diversion will create some industrial distress. This distress may occur particularly in the middle-sized and small businesses who have bank loans; whose goods in process are tied up, and to whom war contracts have not as yet become available. We are making every effort to use all the facilities made available by our curtailment and conservative



measures, and I hope my fears may prove to be groundless. However, I should not be surprised if within 6 months from now we hear the same voices that have been crying that we did not move fast enough raise the yell that we went too fast. I think it only fair to add that I believe industry has been more or less maligned by those who claim that they have resisted conversion. I don't believe that industry has resisted conversion. They have resisted what they felt might be liquidation. But all that's over. Within the next 2 or 3 months what is left of civilian production will be but an appendix to war production, and the great task that remains before the services and the War Production Board is that of using these facilities as they become available.

The CHAIRMAN. Senator Brewster, have you a question?

Senator BREWSTER. To what extent have you been concerned with the creation of additional manufacturing plants?

Mr. KNOWLSON. You mean in our division?

Senator BREWSTER. Yes.

Mr. KNOWLSON. That does not come within our division, sir.

Senator BREWSTER. Your problem is confined to existing industry?

Mr. KNOWLSON. Yes, sir.

Senator BREWSTER. The utilization of those facilities?

Mr. KNOWLSON. Yes, sir.

Senator BREWSTER. The moment that the facility is created, it does come, I suppose, within your jurisdiction?

Mr. KNOWLSON. No. As a matter of fact, Senator, when the facilities are put in use, they come under the over-all supervision of the Production Division.

Senator BREWSTER. That is Mr. Harrison?

Mr. KNOWLSON. Mr. Harrison. Basically, they remain under the supervision of the services, who, after all, are the contracting officers and who inspect the material, follow the production, and accept and use it.

Senator BREWSTER. You know there has been a great deal of feeling that small business has been the forgotten man. Could you give us a little more concrete picture of the practical procedure you adopt to try and get small business into the picture?

Mr. KNOWLSON. The practical procedure that we are attempting to adopt is through our subcontracting work in the local offices.

Senator BREWSTER. Precisely what is the name? Is that the Contract Distribution Branch, or what do you call it?

Mr. KNOWLSON. Well, it is what you have known as the Contract Distribution Branch, and basically the men who have been available there. You see, after Mr. Nelson formed the War Production Board, it was his decision that all these agencies be brought together into a whole at the local level. It is his plan and his hope that, created locally, there will be a small War Production Board housed together and not stemming from various divisions here.

Senator BREWSTER. And that would be in each State?

Mr. KNOWLSON. No, sir. The present plan is to have 13 geographical divisions.

Senator BREWSTER. Approximately on Federal Reserve lines?

Mr. KNOWLSON. Between Federal Reserve lines and Ordnance District lines. I understand there are 142 different divisions in the Government.



Senator BREWSTER. And what will be done by the State organizations which have been created? Are those to continue in existence?

Mr. KNOWLSON. They will be melted into this over-all regional organization.

Senator BREWSTER. And they will have jurisdiction of all the problems that come within your purview.

Mr. KNOWLSON. At that level.

Senator BREWSTER. As well as some others.

Mr. KNOWLSON. Yes, sir.

Senator BREWSTER. In some other divisions. We have made available, I think, around \$160,000,000,000 now to get war goods. How does the little fellow squeeze into that very big picture? Just what is the practical procedure?

Mr. KNOWLSON. I have been a little manufacturer most of my life. As a matter of fact, I still am very much interested in the small manufacturing company. If he has the proper equipment and is alert, as I think good small manufacturers are, I think he gets into the picture without much help.

Senator BREWSTER. Well, would that be through contacting a prime manufacturer?

Mr. KNOWLSON. Basically, I think his best chance is contacting a prime manufacturer. You must realize that these new purchase directives that Mr. Nelson has promulgated, as you know, in regard to no more competitive bids, give the standard products to the little fellow, and things of that kind, help him a great deal, because where he was not able to compete with the mass production manufacturer on price previously, that hazard is removed—that hurdle is removed.

The CHAIRMAN. In other words, you are giving him the same chance that you have been giving the big fellows.

Mr. KNOWLSON. Those are Mr. Nelson's instructions.

The CHAIRMAN. To work out a negotiated contract?

Mr. KNOWLSON. Yes, sir.

Senator BREWSTER. How long have those been in effect, those directions?

Mr. KNOWLSON. My recollection is that they were issued about the middle of March.

Senator BREWSTER. So it hasn't been long enough, I presume, really to see the full effect of them as yet.

Mr. KNOWLSON. We do have this, Senator. We have reports every day from the field of the increased interest on the part of prime contractors in subcontracting. Those reports come to us from all over.

Senator BREWSTER. Has that Contract Distribution Division been completely liquidated?

Mr. KNOWLSON. No, sir. That is now a part of the Production Division, under Mr. Harrison.

Senator BREWSTER. And I gather that you feel it isn't so practical for the little man to get a direct approach in this pretty large field.

Mr. KNOWLSON. I think generally it is better in pretty large units for the little man.

Senator BREWSTER. How well has it worked out where they have undertaken to associate themselves together? Has that been proved practical?

Mr. KNOWLSON. You mean in pools?

Senator BREWSTER. Yes.

Mr. KNOWLSON. I think the record is spotty.

Senator BREWSTER. Some States good, some bad?

Mr. KNOWLSON. I am speaking without sufficient information to answer your question, but my own judgment is that pools which have a mother sponsor of considerable size and financial stability and engineering ability, have by and large been the most successful type of pool from a practical standpoint so far.

The CHAIRMAN. Senator Burton?

STATEMENT OF JAMES S. KNOWLSON RE ADMINISTRATION OF BUREAU OF  
INDUSTRY BRANCHES, W. P. B.

Senator BURTON. Mr. Knowlson, we are greatly interested in the constructive side of this picture. At the same time, we are under instructions from Mr. Nelson to investigate the Guthrie situation. You have said a little about it in your testimony. Would you give us your opinion upon it?

Mr. KNOWLSON. I should be very happy to, sir. As I told you, I am somewhat ashamed as to how little I know about the details of my own organization. I am further ashamed of the fact that I have been so concerned with my own work that I had never read Mr. Guthrie's or Mr. Reed's testimony before the Faddis Committee<sup>1</sup> and only read their testimony late last night. There are two or three things that I should like very much to comment upon.

My personal contacts with Mr. Guthrie, so far as I can remember, were limited to two or three times. I met him the first time in the lunch room and brought away with me the impression that he was a very egotistical person. My second contact with Mr. Guthrie was when he came into my room to explain to me his plans with regard to the radio industry, and I can best describe my reaction by saying that after he left (he was then assistant to Mr. Reed) I called up Mr. Houghton, Mr. Reed's assistant, and told Mr. Houghton that I stood aghast at the number of things that Mr. Guthrie knew positively were so, and that I thought he was a dangerous man in that position.

So when, two or three days afterward, Mr. Reed told me that they were having difficulties from the standpoint of morale in the operations, that he was afraid he would have to put Mr. Guthrie back in charge of a branch, I completely seconded his intention of so doing, and when, later, Mr. Houghton came to me in Mr. Reed's absence and said there was still further difficulty and he was either going to have to break up the branch or let Mr. Guthrie go, I told him that he had my full concurrence, and my main suggestion was that he had better let Mr. Guthrie go.

After reading the testimony, I think the only mistake I made was in not insisting that he let Mr. Guthrie go.

As Mr. Reed has said, I don't think any of us can claim that we personally deserve credit for carrying this conversion flag. I think it has been one of those general fields. We were charged with that job when I took this over.

Mr. Reed recited in his testimony, I noticed, that on February 14, just about as soon as I got my feet on the ground, a general order was issued of the duties of the branch operations, pointing out that was

<sup>1</sup> A subcommittee of the House Military Affairs Committee.

their first job. That was February 14. At my staff meetings I reiterated the necessity for speed. At my meeting of March 11 (I checked up last night) I asked for a schedule. This was before Mr. Guthrie's blow-up and when your committee was a little cloud no bigger than a man's hand in my life.

When I asked for that schedule, at the time I was pretty rough about the matter, because I thought that we were a little slow, but my criticism was not directed toward what the branches or toward what any of the divisions were doing, but toward the slowness of our democratic processes, which Mr. Reed, I think, also described to you. It has been the practice in all these orders to hear all sides of the case and to bring in all opinions and, so far as possible, to obtain concurrence in the order before it goes through.

The CHAIRMAN. You understand, Mr. Knowlson, that the only reason the committee is going into this linen-laundry business is that Mr. Nelson asked us to.

Mr. KNOWLSON. I understand perfectly, sir. I think I understand that, and I have no particular desire to do other than try to straighten out some of the—

The CHAIRMAN (interposing). Incidentally, we were hoping that as we went along we would get some constructive information from you gentlemen which, I am happy to say, we have.

Mr. KNOWLSON. Thank you, sir.

There are two other points upon which I might help the record on this particular phrase, if you would like to have me do so.

The CHAIRMAN. Proceed.

Mr. KNOWLSON. Mr. Guthrie speaks about Mr. Nelson having stepped on Mr. Reed. If he has, I don't know it. He hasn't stepped on me because, if he had, I would have resented it, and I would remember that pretty well.

He speaks of my interference in the matter of the wool order, and I think I would like to say a little about that. I didn't know then, and I don't know today, the merits of the wool order. The wool order passed through all this laborious channel where everyone had a chance to be heard. It passed from the level of the branches up through the clearance committee and was ready to sign. I was informed—I have forgotten by whom, but it was by one of Mr. Hillman's men—that Mr. Hillman himself had some question as to whether this order was a good order; whether it was as good as it should be. That at once brought the thing to my level, because Mr. Hillman is head of one division and I am the head of another.

So I looked at the order and asked that it be brought in. I tried to get hold of Mr. Hillman. Mr. Hillman was not in town. There were many reasons that the order should be issued—time reasons. So I got one or two of Mr. Hillman's assistants and some people from the branch, and we talked the matter over. As I say, I know nothing about the merits of the thing, but this question of blending was brought into the picture. I am trying to state this correctly. Mr. Hillman's people felt that the order as it stood was a perfectly good order, but that the question of blending should be raised in the next order. So I said to the group, "If that is a satisfactory solution; if you gentlemen from the branch and you gentlemen from the Labor Division are willing to pass this order, provided a press release is made saying that blending will be considered, then there will be no reason for holding it up. If

you do not agree in the press release, then we will hold it up until Monday, when Mr. Hillman comes back."

They left my office, and I presume they agreed on the press release and the order went out. That was the whole background of that.

Senator BURTON. On that point, Mr. Knowlson, I assume, then, that on the woolen question without passing on the merits, you are taking a position which did not agree with Mr. Guthrie's point. He was in favor of blending.

Mr. KNOWLSON. I never knew Mr. Guthrie was in it at all. I didn't see Mr. Guthrie at the time and I didn't know. If he was not in favor of it, his lack of concurrence should have come up to the clearance committee or he should have stopped it at his own level.

Now this question of refrigeration was also brought up. You must remember that both Mr. Reed and I have stood away from all consideration of refrigeration because both our companies were builders of refrigerators, his on a large scale, mine on a very small one. My attention was called to a decision in regard to the Stewart-Warner, not by Civilian Supply, as stated in the testimony, or by Labor, but by one of our own priority specialists. It was called to my attention because it was thought it might be embarrassing to me. My reason for stopping that, however, was not because of embarrassment, because I am used to that, but because it offended the policy principle which I outlined in this memo that I gave you, namely, that basically I am opposed to individual consideration of cases. I think there is much to be said for it. I think it is the fairest thing if you have the time, if you have the personnel to hear those cases. But we have neither the time nor the personnel. Therefore, I have taken the position that I would like these things done on an industry basis rather than on an individual basis. I stopped it for that reason. I called Mr. Reed at that time and we talked refrigeration. I said to him, "We have got to get somebody in the refrigeration picture who knows something about refrigeration and can push these people around." I am speaking of the refrigerator fellow. That night I happened to think of Mr. Evans whom I had known for a long time and I suggested Mr. Evans' name to Mr. Reed and told him to get him.

Mr. Evans came down, and as shown in the testimony, I don't think either Mr. Reed or I talked to him, but Mr. Evans at first blush favored the policy of individual treatment. Again I heard this in the afternoon from our priority people, and in the later staff meeting Mr. Henderson handed me a memorandum on the subject; and I again called the group in my office and reiterated the policy that it had to be on an industry basis rather than on an individual basis. There was never any disagreement between Mr. Reed and myself as to that point, and anyone who says that Mr. Reed has stood against conversion is guilty of gross misrepresentation, in my opinion. Personally, I believe the whole organization has done a good job and I think Mr. Reed has done an outstanding job in taking a very disorganized and very sprawling organization and in 2½ months shaping it up and getting the results out of it that he has gotten.

Senator BURTON. Mr. Knowlson, you would say, then, that you support Mr. Reed's administration?

Mr. KNOWLSON. I do, sir.

Senator BURTON. And his handling of even the Guthrie situation?

Mr. KNOWLSON. Yes, sir. I think it was too mild.



Senator BURTON. You yourself have not had much contact with Mr. Guthrie, but I would take it that your conclusions would be that his resignation has been beneficial, let us say, from two points of view. One, that it did emphasize, as Mr. Guthrie wished to emphasize, the conversion standpoint—it received emphasis. And the other is that it eliminated friction within the organization at the same time.

Mr. KNOWLSON. I heartily subscribe to the second, sir.

Senator BURTON. But you don't give the credit for additional emphasis on the conversion need.

Mr. KNOWLSON. I don't think so.

#### CRITICISM OF W. P. B. POLICY OF EMPLOYING DOLLAR-A-YEAR MEN

Senator BURTON. The Guthrie testimony also raised in a direct manner the question of dollar-a-year men. Would you give us your personal view as to how we can best handle the securing of the services of men, for example, like yourself, who are of outstanding positions in an industry and of outstanding experience, and yet put them on a basis with the Government where we can feel that we are receiving their full and undivided loyalty and support, and the public can feel the same?

Mr. KNOWLSON. I am afraid I can't be very helpful on that, sir. I don't think I have any convictions. To me it is a question of personal integrity rather than anything else. My experience has been that about the same percentage of worthless fellows is in high-salaried classes as there is in the low—no greater or no less. I don't know any way to judge people except by your experience, and their reputation and personal integrity. I think I am a little fuzzy on the question. I have never quite understood it.

Senator BURTON. I take it that you would say that a man is perfectly capable of coming here and devoting his full attention to his duties in his governmental capacity such as you have here, as he would be if he went into the Army and devoted his attention to that capacity there and might still be drawing some pay from his home company, as some of them do.

Mr. KNOWLSON. I think so, sir.

Senator BURTON. So, it is not a question whether you are receiving \$1, or \$5,000 from the Government. It is not a question in your mind whether you are actually receiving salary from your home company or not, although you said in your case you are not.

Mr. KNOWLSON. That happens to be correct, sir. I think I have never quite understood and I plead ignorance—whether the question is directed at businessmen as businessmen, whether they are on salary or not, or whether it is directed at the question of the salary involved.

The CHAIRMAN. The question is directed, for your information, Mr. Knowlson, at a man's natural inclination and his loyalty. The question was brought up by the fact that it is a most difficult thing for a fellow to serve the Government if the interests of the company with which he is connected are in some way to be jeopardized by actions which he has to take in the interest of the Government. You have demonstrated that it can be done. And the very fundamental thing at the base of this is personal integrity, and the thing that alarms some of us is the fact that we saw the difficulty that a man would have in two loyalties,

and it was our contention—my contention, if you please—that a man should and could in the best interests of the Government and the best interests of the welfare of the country have but one loyalty at this time, as the Government of the United States is in an effort to win this war, and that is really what brought about the controversy over the dollar-a-year men. We were convinced that there were some whose loyalties to their companies came before their loyalty to the Government of the United States, which they had taken an oath to serve. That is the line of demarcation. It is not a case of anything else but a man's ability to have only one loyalty under these circumstances, and that is the loyalty to the Government to win this war, no matter how it hurts his company. And we can't help but think if a man's whole life has been spent in the creation of an industry, as some of them have been, and that he is now receiving a tremendous salary—to some of us it seems tremendous; he probably is worth it, and we don't raise any contention over that—his loyalty naturally would come first to the place where his heart had been and where his bread and butter is. Under present conditions, in our opinion, his loyalty must be first to the Government and the people of the United States to win this war. That is the whole argument as far as I am concerned.

Mr. KNOWLSON. I think I appreciate that. I simply come back to the question that it is a personal question, sir. To anyone with a philosophical frame of mind, no matter what his position was in his company, he must recognize today that for his own company's sake the job is to get out this war production, isn't it?

The CHAIRMAN. That is right; that is correct.

Mr. KNOWLSON. No matter what immediate sacrifice may be demanded of his own organization, if we don't win the war it isn't any good anyway.

The CHAIRMAN. You won't have any organization. That is the answer exactly.

Mr. KNOWLSON. I confess this, that I have a great feeling that with the proper men you get quicker and sharper action by having a man who knows his own industry thoroughly giving orders.

The CHAIRMAN. I agree with that.

Mr. KNOWLSON. When I want a really tough foreman I don't pick out a college professor or a social worker. I pick out one of the men who has been a worker in that section. And I am very happy to have Mr. Maury Maverick in charge of the State and Local Government Requirements Section, because I think he is almost a professional in that regard. And so, too, from my own standpoint, knowing my breed as well as I do, I think if you have the right men they enjoy pushing their own group around and can do it more capably than anybody else can.

The CHAIRMAN. I think you are absolutely right in that, but the point of contention—

Mr. KNOWLSON (interposing). Yes; I understand.

The CHAIRMAN. Is a man's loyalty.

Mr. KNOWLSON. But there is one thing that I think I should say in regard to the dollar-a-year men—and I don't know which men that I contact are dollar-a-year men and which are not. But I do know that a great many men who are here at \$1 a year, particularly the younger men, have been men who have been called here, not men who have come here.

The CHAIRMAN. I understand that. There is a difference between a consultant and a fellow in an executive position.

Mr. KNOWLSON. Yes, sir.

The CHAIRMAN. If a fellow is called here as a consultant on a dollar-a-year basis and if he draws pay nobody can find fault, because it is up to that executive to find out whether or not there is self-interest in his information which he gives to the executive. Proceed Senator, I am sorry.

Senator BURTON. I appreciate your expression of point of view because it is a problem which has been raised by this particular case, the charges involved in this case, because certain individuals are dollar-a-year men but are drawing \$120,000 or \$60,000 or \$20,000 from outside, and it has had an effect upon this case. I take it from your testimony you think it has not had an effect on the decisions made and action taken on the Guthrie case.

Mr. KNOWLSON. I don't think it has had any effect on the action of Mr. Reed, to be specific, in this case, no sir.

Senator BURTON. Or that the disagreement between Mr. Guthrie's position and the position of the dollar-a-year men has been due to the fact that they are drawing salaries from their home companies.

Mr. KNOWLSON. You see, sir, you get down to this question of personalities. I do not know the personalities involved in the materials section.

Senator BURTON. Neither do we; but we are trying to try the case as it is presented to us.

Mr. KNOWLSON. I am sorry, I can't be helpful on that.

Senator BURTON. Just a word more here. You have indicated that it is within your jurisdiction to study conversion and to secure the necessary supplies of raw materials—that is, not secure them but to see that they are there; provide for them, plan for them.

Mr. KNOWLSON. No, sir; the Materials Division is under Mr. Batt. It is one of my jobs to route those materials through the Priorities Section from the place where they are created to the place where they fall into the end products.

Senator BURTON. It is not your responsibility to see to it whether or not there is a rubber shortage, for example?

Mr. KNOWLSON. No, sir.

Senator BURTON. But the small-business problem does come in your particular division, the use of as much small business as possible in filling war orders. Does that come under you directly?

Mr. KNOWLSON. Small business has never been assigned to me as a problem. My problem is to do everything I can to make available all the facilities of our national economy to war production.

Senator BURTON. But this small-business unit that you referred to, that is not under your direction?

Mr. KNOWLSON. No, sir.

Senator BURTON. Whose direction is it under?

Mr. KNOWLSON. The small-business unit has been a particular charge of the Contract Distribution Group, as such.

Senator BURTON. Not under any one of these divisions, then?

Mr. KNOWLSON. The Contract Distribution Group, as such, is now under Mr. Harrison in the Production Division, sir.

Senator BURTON. That is all. Thank you.

The CHAIRMAN. Any questions, Mr. Clark?

Mr. CLARK. Mr. Knowlson, did Mr. Reed act independently of you? In other words, did he dispose of administrative matters and policy matters within the Bureau of Industry branches without consulting you?

Mr. KNOWLSON. Can you give me an example so that I can be perfectly clear?

Mr. CLARK. You are familiar with administrative order No. 4, are you not? That is a memorandum or administrative order of February 10 from Mr. Nelson, wherein he states that no person shall be appointed as a branch chief making any decisions affecting the particular industry from which he came. Are you familiar with that, Mr. Knowlson?

Mr. KNOWLSON. I am.

Mr. CLARK. Now, I ask again—

Mr. KNOWLSON (interposing). Go ahead.

Mr. CLARK. Whether Mr. Reed conferred with you regarding the continuance of four branch chiefs, Mr. Winton, Mr. Bristol, Mr. Townsend, and Mr. Brower, in positions where they were making decisions affecting their own industries?

Mr. KNOWLSON. Yes. Mr. Reed discussed the matter with me on several occasions.

Mr. CLARK. And what was your advice to Mr. Reed?

Mr. KNOWLSON. My advice to Mr. Reed was that he had better leave them alone until he could find better men or arrange transfers that would be satisfactory.

Mr. CLARK. Well, was that in conformity with the spirit of Administrative Order No. 4.

Mr. KNOWLSON. I think it was in accordance with the spirit of Administrative Order No. 4 if you take the time element into account. You cannot take an organization such as Mr. Reed took and put together and make all these changes over night.

Mr. CLARK. Well, that order was issued February 10, Mr. Knowlson?

Mr. KNOWLSON. Yes, sir.

Mr. CLARK. This is April 16, and those men are still there.

Mr. KNOWLSON. Yes; and very possibly will remain there for some time to come.

Mr. CLARK. Well, how do you reconcile that with Mr. Nelson's explicit order?

Mr. KNOWLSON. I would like to read that order. Was it as you stated it exactly?

Mr. CLARK. Substantially that. Mr. Katz can probably assist you on that. He spells out a technical refinement by saying that as long as it doesn't affect their own companies—I think Mr. Katz explained it to you.

Mr. KNOWLSON. Yes.

Mr. CLARK. But do you think that is well taken? If they are in an industry, it doesn't make any difference whether they are representing their own company, does it?

Mr. KNOWLSON. I think it does. I think that was Mr. Nelson's order, that they should make no decisions in respect to their own company.



Mr. CLARK. Well, don't you think, as Senator Truman has so well put it, that basically the issue regarding dollar-a-year men is a subconscious gravitation to their own industry, not their particular firms, but an entente cordiale toward their entire industry; isn't that correct? In connection with Mr. Evans, you say neither you nor Mr. Reed spoke to him.

Mr. KNOWLSON. Wait a moment; I said that I didn't, and that I didn't know him. I am sorry.

Mr. CLARK. Oh, I see. Well, Mr. Reed says that he gave him no instructions. Now, did you have a conference with Mr. Reed regarding Mr. Evans?

Mr. KNOWLSON. I suggested that Mr. Reed bring Mr. Evans down.

Mr. CLARK. You suggested?

Mr. KNOWLSON. Yes.

Mr. CLARK. Why did you suggest bringing Mr. Evans down, Mr. Knowlson?

Mr. KNOWLSON. Because I knew that Mr. Evans was a tough-minded fellow who had been attached to but was not a part of the domestic refrigerator business, who had been in charge of the refrigerator branch of N. E. M. A. because he was the only person that they could ever agree on, and who would have more fun making large companies uncomfortable than anyone else I knew, if you want the bitter truth.

Mr. CLARK. I see. Had Mr. Reed advised you that at a conference held on February 10 an accord was reached regarding the termination date of curtailment regarding the refrigeration industry and it was set at March 31?

Mr. KNOWLSON. I have no such recollection, and I do not know whether Mr. Reed knew it. I have no such recollection.

Mr. CLARK. Well, you suggested to Mr. Reed that he bring Mr. Evans down. Were you dissatisfied with the progress being made by the parties?

Mr. KNOWLSON. I was dissatisfied—I must have suggested this to Mr. Reed before that accord was reached, because I was dissatisfied with this business of individual appeals and individual decisions. I wanted an accord reached, and I did not want to be in the picture.

Mr. CLARK. You couldn't very well have an appeal without a curtailment order, could you?

Mr. KNOWLSON. There was a curtailment order in effect, if I recall correctly.

Mr. CLARK. Well, our understanding is that there was not. Our understanding is that they had reached an accord on February 10 setting a date of March 31 and then were going to meet the following day to draft an appropriate order. We understand further that on February 11, Mr. Evans appeared as the personal representative of Mr. Reed, and a discussion was had, and a proposition was offered by Mr. Evans to push that date up to June 30. Then one of the representatives of Leon Henderson, Mr. Stein, reported back to Mr. Henderson and told him about this situation, and Mr. Henderson thereupon addressed a memorandum to you dated February 12,<sup>1</sup> another meeting then was held and a compromise date (I call it a compromise date) of April 30 was set. What was the reason for

<sup>1</sup> Exhibit No. 489, appendix, p. 5283.

Mr. Evans' suggesting that extension to June 30?. He was from that industry, wasn't he?

Mr. KNOWLSON. No.

Mr. CLARK. But you said he was in charge of the refrigerator branch of the N. E. M. A.

Mr. KNOWLSON. That is right.

Mr. CLARK. And that is why you suggested that he come down?

Mr. KNOWLSON. Yes, sir.

Mr. CLARK. I see. Well, what was the reason for that?

Mr. KNOWLSON. I don't know his reason. I can tell you the reason that the final date, whatever day it was, was set. That was set in my office——

Mr. CLARK (interposing). I see.

Mr. KNOWLSON. When we determined, by the advice of Civilian Supply, that a certain number of refrigerators were needed for stock pile, theoretically, to carry this country for 2 years.

The CHAIRMAN. In other words, you were trying to do what I was talking to Mr. Nathan about awhile ago, if I understand you correctly, to put up a backlog to take care of the fellows who had to stay at home and work.

Mr. KNOWLSON. That is right.

Mr. CLARK. I asked the question, Mr. Knowlson, because you said.<sup>1</sup>

The attack on Pearl Harbor focused attention upon a necessity in conversion rather than expansion at exactly the same time our attention was likewise focused upon the necessity of drastically conserving materials necessary to war production.

Well, now, it strikes me that in Mr. Evans' suggesting an extension date of June 30, it would be diverting strategic materials so necessary and essential to the war effort. Mr. Nathan testified this morning that we were in a very critical condition regarding war materials, saying that that condition prevailed 3 months back.

Mr. KNOWLSON. You see, the materials involved in this case were all in semifabricated form. This problem that I have tried to outline, of reclaiming materials from the semifabricated form, is a very involved one. As a matter of fact—and I think I am quoting correctly—at the time we shut down the refrigerator industry, it was estimated that they could make another million refrigerators from the materials that they had on hand with very little priority assistance. We did not, so far as I know, in any case grant priority assistance to finish the quotas that were allowed them. They were made out of pieces or parts that were in process. And this business of reclaiming materials and putting them back through the scrap pile and losing the labor that is involved, particularly if you want that particular product for your civilian economy, is one that is open to a lot of questions.

The CHAIRMAN. Isn't each individual case—and you said you didn't want to have individual hearings—one for a matter of judgment and policy in itself?

Mr. KNOWLSON. It is, sir; and while I did not approve of the individual hearing here, I think as our local offices expand, we shall be in a position to do that and we will have to do it.

Mr. CLARK. The reason, I follow that line of questioning is that there seems to be a general tendency on the part of that branch not

<sup>1</sup> Supra, p. 5056.

to give consideration to immediate conversion or curtailment in the interests of conserving those materials, such as the typewriter industry. You stated that<sup>1</sup>

The dramatic shut-down of the great automobile industry on February 1 has led many people to believe that this is the only manner in which conversion can properly take place. They overlook the fact that the automobile industry was in the process of being converted ever since last September, that it was prepared for shut-down when it occurred. They also overlook the fact that it was already heavily engaged in the production of war materials and that the continued large production of military automobiles and trucks materially simplified the problem for that industry.

In that connection, isn't the typewriter industry one of the most easily convertible industries as far as war work is concerned, and has been so testified to time and time again by military experts?

Mr. KNOWLSON. Yes, sir.

Mr. CLARK. There has been no disposition on the part of your branch to get that into war production, has there?

Mr. KNOWLSON. Well, we have set the typewriter production for this year on a rate (I am trying to recall) up to June which, if continued through the year, would allow them to produce 400,000 typewriters in the last 10 months. The Army requirements, if I recall correctly, were brought in to us at about 425,000, the Navy a couple of hundred thousand; anyway, we automatically reduced those simply by rule of thumb—we reduced those requirements to 260,000 typewriters.

Mr. CLARK. Did you make any inventory, or did anybody under your supervision make any inventory as to the available supply of typewriters?

Mr. KNOWLSON. Second-hand typewriters or new typewriters?

Mr. CLARK. Typewriters, let's say, in nondefense governmental agencies.

Mr. KNOWLSON. Such a survey is in process, I believe, at the present time, but no survey before that time.

Mr. CLARK. I see. But the fact of the matter is the typewriter industry is still producing.

Mr. KNOWLSON. Certainly.

Mr. CLARK. And you can see that it is one of the most easily convertible industries to war work.

Mr. KNOWLSON. I think it can be converted 100 percent if you don't want typewriters.

Mr. CLARK. And, in letting them go, they are gradually and progressively exhausting our supply of raw materials which Mr. Nathan has testified is acute at this period; is that correct?

Mr. KNOWLSON. Unless you look upon a typewriter as one of the necessities of war; yes, sir.

Mr. CLARK. Which is more important—a gun or a typewriter?

Mr. KNOWLSON. That is not my end of the game, sir.

Mr. CLARK. I ask you.

Mr. KNOWLSON. It is for the service to say.

Mr. CLARK. I ask you.

Mr. KNOWLSON. I refuse to answer, because I don't know.

Mr. CLARK. Well, Mr. Nelson says that a gun today is worth 10 guns or 100 typewriters next year.

<sup>1</sup> Supra, p. 5056.

Just one more question and I will conclude, Mr. Knowlson. Let me refer back to construction materials. Nothing has been done to conserve those materials, either; is that correct?

Mr. KNOWLSON. A construction order has been issued that forbids the starting of construction of any—

Mr. CLARK. Nonessential?

Mr. KNOWLSON. No; of any item—on a house of more than \$500; on a farm of \$1,000; and on a public building, \$5,000.

Mr. CLARK. However, they had been permitted to continue on with nonessential construction, therefore eating up those raw-materials parts.

Mr. KNOWLSON. You understand without priority assistance.

Mr. CLARK. That is right, although an order on October 9 by S. P. A. B. asked for an immediate curtailment of that construction.

Mr. KNOWLSON. It was not an order, sir; it was a pronouncement of S. P. A. B.

Mr. CLARK. A pronouncement of policy which should have been followed, we assume, consistent with Mr. Nathan's observation regarding our critical situation in raw materials. We have a very interesting sidelight as far as that extension period of curtailment, in toys and games where we have about 25,000 skilled mechanics who could be very well diverted to war production. Strategic materials are being used in the production of these toys and games. Do you see any good reason why they should be permitted to run until June 30?

Mr. KNOWLSON. Well, the reasons that they were permitted to run until June 30 must have been evident to the people who drafted the order or they would not have allowed them to run. There, again, you have two questions involved, sir; first, this problem of materials which are very hard to get back because they are in process; second, the question of their ability to get into their new production. There is one thing that I think is sometimes overlooked. We talk about the division between labor and management as if it were a very sharp line, but you and I know that in actual operation of a plant, the division between labor and management is a very hazy one, that it runs all the way down, and the efficiency of an organization that has been built up over a long period of years lies in the fact that that labor and that management have learned to work together. Now, there is a long period between the time that a man gets an order from one of the Services—I say a long period, it may be 30 days, it may be 80 days—before he can tool up and get to work, and it was that period in which we are interested.

The CHAIRMAN. Thank you, Mr. Knowlson.

The committee will recess until 10:30 Tuesday.

Mr. KNOWLSON. Thank you, sir.

(Whereupon, at 12:50 p. m., the committee adjourned until 10:30 a. m., Tuesday, April 21, 1942.)



# INVESTIGATION OF NATIONAL DEFENSE PROGRAM

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TUESDAY, APRIL 21, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE TO INVESTIGATE  
THE NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:38 a. m., pursuant to adjournment on Thursday, April 16, 1942, in Room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), Tom Connally, James M. Mead, Mon C. Wallgren, Joseph H. Ball, Harley M. Kilgore, and Harold H. Burton.

Present also: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. Mr. Nelson, will you please take the chair?

Mr. NELSON. Yes, sir.

## TESTIMONY OF DONALD M. NELSON, CHAIRMAN, WAR PRODUCTION BOARD, WASHINGTON, D. C.—Recalled

The CHAIRMAN. Mr. Nelson, we have been listening for the last week to statements on the Guthrie situation, and I would be pleased to have you make a statement on that subject, if you like, and then on any other subject that you feel like discussing with this committee.

I am also going to put in the record at this point a copy of the statement of Mr. O'Brian to you on his investigation of the Guthrie matter. This is the statement of Mr. O'Brian to you on his investigation?

Mr. NELSON. Yes, sir.

The CHAIRMAN. That makes the record complete so far as we are concerned, after you have finished.

Mr. NELSON. All right, sir.

(The document referred to was marked "Exhibit No. 498" and is included in the appendix on p. 5341.)

Mr. NELSON. Well, I would like to touch on a few things this morning, Mr. Senator. I haven't a prepared statement. I had in mind, however, getting up for you and the committee a fairly complete statement of what W. P. B. has done during the first three months of its existence. It is just about three months old now and a few days over. It was formed on January 16th, and I believe a great deal has been accomplished by W. P. B. to further the war effort.

The CHAIRMAN. If you will remember, when you first came up here after you were made the Director of W. P. B., we suggested that at

a convenient time after you had had a chance to get your feet on the ground, you come up here and make a report to us. If you want to do that at a later date, we will appreciate having it.

Mr. NELSON. Mr. Senator, I would like to get that in shape within the next week or so, submit it to you, and come up and explain any part of it that you would like—

The CHAIRMAN (interposing). I would appreciate it very highly.

Mr. NELSON. Because I feel that the staff of W. P. B. has, in these three months, as I say, done a good job. No matter how good the job we do, of course, the emergency is of such size that it can never be adequate. No matter how good production is, the emergency is of such size that it can never be adequate. We must always do more.

The CHAIRMAN. You never want to reach perfection, because when you reach perfection you can go no place but down hill.

Mr. NELSON. That is right, sir, and we have nowhere nearly reached perfection. I don't want to suggest such a thing to you.

#### ESTABLISHMENT OF PROGRESS REPORTING, PLANNING, AND REQUIREMENTS DIVISIONS OF W. P. B.

Mr. NELSON. The first job we undertook was to complete our organization. We introduced two or three parts of that organization which were new. One was the Progress Reporting Unit, under Mr. Stacy May, and we know from day to day, from week to week, and from month to month, just how production is progressing in each one of the important items. We are able thereby to determine just what the bottlenecks are and how we might improve it. No matter how well you try to plan the general situation, there will always be bottlenecks and unexpected things happening. That is one of the features of production. It has always been such, and always will be. Through this Progress Reporting agency we are able to keep our fingers directly on the progress of each of the important items.

Another part that I feel was particularly important was our Planning and Coordination Unit, headed up by Mr. Robert Nathan. That is a board of three men who view this thing from all directions and make recommendations to the staff and to me, make studies of the things that appear to be difficulties ahead, make recommendations for balancing the program where it seems to be getting out of line one way or the other. I feel quite happy with the way this group has undertaken the job. A great deal of good has come out of it.

I might just read you a short statement of that phase of the activity, because I believe it would be of interest to this committee.

The CHAIRMAN. Proceed.

Mr. NELSON. It is short, and I will read it. It will be incorporated, of course, in more detail in our report.

When I determined upon the organization of the War Production Board staff I was convinced of the need for a small group of people who would not be engaged in operations, but would confine their time and activities to planning and looking ahead. Accordingly, I appointed a three-man Planning Committee, which has been assigned the responsibility for advising me and the staff on policies and plans relating to the various functions and responsibilities of the War Production Board. Our biggest planning job to date has been that of working with the armed services of friendly nations and determining upon a program of requirements or set of objectives which will

produce the maximum all-out effort of this Nation and permit an intelligent and coordinated production effort.

I have always been convinced of the urgent need for having a program laid out with specific and proper timing. This program must be strategically correct, as determined by the military authorities. It must be possible of attainment, as determined by our production and economic authorities. As the program has grown and Congress has provided larger and larger appropriations and the military demands have increased, it has become more and more necessary that proper program planning be developed, and I am happy to report that we are making excellent progress in this direction in terms of planning for the maximum production of the economy and maximum effective dedication of that production to the war effort.

We have carefully planned and actively undertaken the conversion of America's vast industrial resources from civilian goods production to war production. We have curtailed civilian goods output. We have directed the placement of contracts as carefully and as fully as possible in existing enterprises. We have discouraged reliance upon new facilities as distinguished from existing resources, with the result that time and materials have been and will be saved in substantial quantities. We have directed that procurement shall take into account available labor supply, local public-utility facilities, the ability to subcontract, and utilize smaller enterprises. We have cooperated in the development of legislation still pending which will provide the mechanisms and resources for bringing the small business enterprises as fully as possible into the war-production program. We have developed and are continuing to develop mechanisms for the control and flow of raw materials into essential war purposes. We have taken steps to intensify the program of collecting and utilizing existing scrap so that our steel mills, our rubber program, and other vital operations can be pushed forward at full speed.

I list all of these activities not in the sense of being complacently satisfied with the progress we have made to date, but rather to indicate that we are aware of the magnitude of the task ahead of us and are devoting our energies and capacities to this big job of winning the war quickly and completely. There is much planning and much coordination still to be achieved. To date, our program might be characterized as extensive, as distinguished from the intensive task ahead. To date, we have emphasized the prompt and large placement of contracts. The services have asked for and received huge appropriations. We have expanded basic raw materials and built new war plants, and we have moved on a broad front. The \$3,000,000,000 war production in March is a measure of the success in that accomplishment. In the period ahead it will be more essential for us to be much more specific and much more precise in our activities and in our plans. For instance, we must place contracts in existing facilities so as to avoid the economic dislocation from having new plants turning out war work and old plants lying idle.

We must be even more watchful of subcontracting, so that we do not precipitate heavy mortality of small business and find ourselves at the end of the war with a much greater concentration of production in bigger concerns.

We must see that, through conservation and substitution, no pound or ounce of critical war materials will be used except when absolutely necessary for the war effort or for basically essential civilian needs. This means that both civilian and military uses are being and will continue to be carefully and religiously scrutinized so as to get out every bit of critical materials from nonessential use.

In looking ahead I see the need for much tighter control of the flow of raw materials. Not only must we not permit critical materials to be used for less essential purposes and nonessential purposes or unessential purposes, but we must also avoid an accumulation of inventory in some plants. We must simplify and standardize products so that the raw materials will flow more easily and efficiently. We must not permit materials to lie idle at any point in our productive system while plants are not operating at full capacity because of the need for such materials. We must not build new plants or new machine tools when existing tools will do the job.

When the production of civilian goods is reduced substantially we must so control the reduced production as to save the greatest amount of critical materials and make available the maximum of critical materials. The concentration of production into the hands of a few plants must be developed with the least harm to all plants.

In the field of labor, it will be necessary for us to mobilize and direct the flow of our working people so as to maximize the total production of the Nation. Workers must be trained in ever-increasing numbers. Priorities of workers,



migration of workers, and providing workers with the minimum essentials are and will continue to be vitally important. We are thinking and planning in all of these fields. The job will never be done to our entire satisfaction, but I take pride, reasonable pride, in what we have accomplished, and take courage in the day-to-day developments which will, I am sure, move us closer and closer to the most efficient and maximum uses of our resources, resulting in an all-out war program.

That, sir is the job of the Planning Division.

We have set up a Requirements Division where the requirements of all the claimants for these materials can come and do come and prove their case, and the materials are allocated in accordance with the need. There we direct the flow of copper, of various grades of steel, tin plate, rubber, all of the critical materials, into the proper place so that we can utilize them most efficiently and where they are needed most.

We have another thing that I feel we have accomplished. We have set up a division of responsibility with the armed services by means of a document, which I shall be glad to put in the record, which I believe eliminates a great deal of the waste motion and duplicate work between the two organizations.

The CHAIRMAN. In other words, you have the Army and the Navy on speaking terms now. Is that correct?

Mr. NELSON. The Army and Navy, sir, are on speaking terms, and they are on speaking terms with W. P. B.

The CHAIRMAN. That is an accomplishment. I will say that.

Mr. NELSON. Well, sir; I believe it is working.

The CHAIRMAN. I wish you would explain to this committee just how you did that.

Mr. NELSON. I may say this. It was largely a question, I think, of being able to define responsibilities, and I found that where you can do that and have a sufficient reason for those responsibilities, the difficulty of getting people to cooperate is reduced to a minimum.

In this document, which I do not know whether the committee has studied or not—

The CHAIRMAN (interposing). I haven't seen a copy myself.

Mr. NELSON. Would you like me to read the document or would you just—

The CHAIRMAN (interposing). I would be pleased to have you read it. I would be most happy to have you read it.

Mr. NELSON. I believe this is the Magna Carta of our operation.

The CHAIRMAN. The committee seems to want you to read it, so go ahead.

Mr. NELSON. I shall be glad to, sir.

This document was signed in this case by the Under Secretary of War, Robert P. Patterson, and by myself as Chairman of the War Production Board; and a similar one is now being devised for the Navy. The situation was a little bit different in the Navy because of the difference in set-up, but it will be issued within the next few days and will be very similar in its scope and different only in some of the words.

(The document referred to was marked "Exhibit No. 499" and appears in the appendix on p. 5350.)

Mr. NELSON. It reads:

1. The following statement is made for the purpose of facilitating the effort now in process to perfect the governing relationships between the War Pro-



duction Board and the War Department in effectuating the war supply program.

2. The Chairman of the War Production Board is charged with the duty and given the power to exercise general direction over the war procurement and production program, to determine the policies, plans, procedures, and methods of the several Federal departments, establishments, and agencies in respect to war procurement and production, including purchasing, contracting, specifications, and construction; and including conversion, requisitioning, plant expansion, and the financing thereof; and issue such directives in respect thereto as he may deem necessary or appropriate; to organize and direct the mobilization of industry and to maintain a civilian economy consistent with war necessity.

3. The war supply organizations should be viewed by all participants as a single integrated system operating under the general direction of the Chairman of the War Production Board in a unified effort to win the war and not as a group of autonomous or semiautonomous organizations acting in mere liaison with one another.

The CHAIRMAN. That is fundamental.

Mr. NELSON. I believe that is a fundamental concept, sir. [Reading further from Exhibit No. 499]:

4. Although the immediate responsibility, initiative, and decision for a particular function is placed in one part of the organization, the assistance of the other parts is expected and directed.

#### DUTIES OF THE WAR PRODUCTION BOARD

5. In broad terms, the War Production Board gives general direction and supervision to the war supply system, formulates broad policies with respect to that system, makes the basic decisions on the allocation of resources to the various parts of the supply system in accordance with strategic directives and plans, makes provision for materials, services, tools, and facilities needed for the military effort and the civilian economy, and organizes industry for war production. Therefore, specifically, the War Production Board will—

(a) Cooperate with the War Department in the formulation and review of supply programs, and in the light of military needs as expressed by the War Department, determine the resources that will be applied to war production and to the civilian economy consistent with war necessity and aid the War Department in adjusting its programs to such determinations.

(b) Supervise the over-all utilization of the economic resources of the Nation.

(c) Develop raw material sources and increase production of raw materials.

(d) Develop services, including transportation, power, and communications.

(e) Stock pile materials and certain end products for which a future shortage is indicated.

(f) Expedite the production of raw materials, machine tools, and industrial supplies and also expedite production of other items where effective expediting by the War Department cannot be carried on without conflict with other agencies.

And that is a very important paragraph. [Continuing to read from Exhibit No. 499]:

(g) Eliminate by curtailment, conservation, and otherwise less essential uses of materials, facilities, services, and manpower essential to the accomplishment of the munitions program.

"h." And this now becomes a part of the new Manpower Board. I shall read it:

Expand available skilled manpower for war production through training, transfer from nonessential activities, and reduction in the loss of man-hours through stoppages resulting from all causes.

(i) Direct the provision of facilities needed to produce raw materials, equipment, tools, and services.

(j) Determine the plants or industries which should be converted to the production of supply for the War Department and assist the War Department in such conversion.

(k) Assure preservation and production of the necessary facilities auxiliary to the production and distribution of military supply.

(l) Enlist the participation of industry by organizing industry committees, by promoting cooperation between industrial units and by securing from the Department of Justice clearance for such cooperative action.

(m) Assure the maintenance of a virile civilian economy consistent with war necessity.

(n) Distribute the available supply of materials and equipment by priorities, allocations, and otherwise, with particular reference to apportioning in a major way of scarce materials between principal users. (Much of the detail assignment of ratings will continue to be made by the Army and Navy Munitions Board operating under policies and procedures approved by the Chairman of the War Production Board.)

(o) Adjudicate and make decisions on matters pertaining to priorities, allocations, requisitioning, and to placement of orders in existing facilities, as between the military and other needs.

#### DUTIES OF THE WAR DEPARTMENT IN THE SUPPLY PROGRAM

(G) In broad terms, the War Department, through the Services of Supply and the Material Command of the Army Air Forces, in accordance and compliance with the policies and directives of the War Production Board, carries on its supply functions of research, design, development, programming, purchase, production, storage, distribution, issue, maintenance, and salvage. Therefore, specifically, the War Department will—

(a) Determine military needs and compile requirements for supplies, new facilities, transportation, and communication as to quantity, types, and time and translate these into requirements for resources, including raw materials, tools, and labor, and keep the War Production Board continually informed of these requirements.

(b) Receive from the War Production Board descriptions of plants or industries available for conversion, and convert these with the assistance and under the direction of the War Production Board.

(c) Purchase, including the negotiations, placement, and administration of contracts.

(d) Produce, including preparation of schedules, inspection, and acceptance of product, issuance of shipping instructions, and distribution (including arrangements for storage, receipt, issue, inspection of use, transportation, and maintenance).

(e) Expedite production in facilities producing finished items, parts, components, and subassemblies where there is no conflict with other agencies.

(f) Construct and expand plants for production of finished items.

(g) Conduct research and development and set specifications.

(h) Conserve materials, facilities, and manpower used in war supply by substitution of more available materials in place of scarcer materials, by elimination, by development, by simplification, and by standardization of types of equipment and supplies. (While equipment and supplies must have the essential military characteristics, their specifications should also be such as to permit rapid mass production. On the other hand, ease of production should not entirely control design of articles. Moreover, the real necessity for military characteristics must be constantly challenged and reanalyzed with reference to the practical life of the product.)

#### CONTACTS BETWEEN THE WAR PRODUCTION BOARD AND THE WAR DEPARTMENT

7. Relationships will include frequent contacts by the Chairman of the War Production Board, the Under Secretary of War, the Director of Production of the War Department, the commanding general of the Services of Supply, the general in charge of the material command of the Army Air Forces, and their key subordinates; directives issued by the War Production Board; membership on the War Production Board; the Army and Navy Munitions Board; representatives on committees and units; and constant cooperation between the Chief of the Control Division of the Services of Supply and the Office of the Chairman of the War Production Board for the purpose of continuous survey of working relationships between the two agencies.

8. Members of both organizations are alike engaged in the mission of obtaining maximum balanced supply in the most expeditious manner possible. Obstacles to this end must and will be removed. One such obstacle is an organizational prac-

tice known as layering. This means that a subordinate charged with a task in one organization or subdivision thereof must go up through the layers of his superiors, across from the top of his agency to the top of the other agency and then down through the layers of the other organization to the subordinate responsible for decision or other action. Such action may then have to go back through the layers again.

9. From this time forward—

and this is very important, sir—[Continuing to read from Exhibit No. 499]:

there is to be no layering within or between the War Production Board and the War Department. Any officer of either agency is not only free, but is hereby directed, to make direct contact with his opposite or any person from whom he needs advice, assistance, or decision by personal interview, telephone, or written communication. Wherever possible missions should be accomplished first and thereafter may be confirmed, where necessary for routine, through channels. Personal interview or telephone communication is to be used in preference to written communications in handling urgent matters.

10. Finally, the war-supply system shall be operated in accordance with the basic principle of effective organization that immediate responsibility, authority, and scope for initiative shall be placed as far down in the operating organizations and as close to the actual doing of the various procurement tasks as possible.

That, sir, is the document which was gotten up after careful consideration by both organizations, and it furnishes us the directive for the operation between the War Production Board and the War Department. A similar one—

The CHAIRMAN (interposing). You are going to do the same thing with the Navy?

Mr. NELSON. The same thing with the Navy and with the Maritime Commission.

The CHAIRMAN. You are getting somewhere.

Mr. NELSON. So that we know today—each organization knows what its job is and can go along effectively doing its job.

The CHAIRMAN. That is most interesting.

Mr. NELSON. Lastly, sir, I just wanted to tell you, while I cannot in public give you detailed reports of production, naturally—I believe I have stated so publicly—we are over the hump on production; that is, everything that we need is in production and we can see it in quantity production. While the need is so great that no matter what we produce, it isn't adequate, we are today in our opinion—America, England, and Russia—producing a much greater quantity of essential material than our Axis enemies. We still have a reserve to overcome, because Japan has been building since 1930, Germany has been building since 1933, and as you know, we just got into production in 1940 and 1941 and are now just beginning to get into mass production. I hope that before many months we shall be able to build in such quantity that we will overcome that reserve.

#### CRITICISM OF WAR PRODUCTION BOARD POLICY OF EMPLOYING DOLLAR-A-YEAR MEN

Mr. NELSON. One thing that I would like just to mention, which I think is still handicapping our activity, is this constant criticism of dollar-a-year men, or businessmen, who come down here to do this job. I can say to you, sir, that we are finding increasing difficulty getting good men to come down here and subject themselves to criticism, to veiled allusions as to their dishonesty of purpose.



The CHAIRMAN. It is a pity they couldn't serve a term in the United States Senate and get used to that.

Mr. NELSON. Well, sir, of course, if they were running for the Senate, that would be another matter. But, sir, they are not used to it. Businessmen are not accustomed to it. It takes them a long time to develop—

The CHAIRMAN (interposing). Yet they are the most violent critics of public men. They can give it, but they can't take it.

Mr. NELSON. That may be true, sir. I wouldn't attempt to debate that. But, after all, this is a war. We are in a war, and in order to do this job, in order to do the things that I have outlined here, it can be done only by having the best men that we can get in the country to come down here and do this job.

The CHAIRMAN. We agree with that entirely, and I think you ought to have the best men in the country try to do the job. They must also bear in mind that the jobs in a lot of instances are not the jobs that they would pick themselves. They are not jobs that you like. None of us, I think, is doing the job in this war that he would personally prefer to do. A fellow who is drafted—take yourself, running the War Production Board. You are doing something because you think it is your patriotic duty to do it. Personally, I don't care a damn what they say about me, if I think I am doing something for the benefit of the country, and the dollar-a-year men have got to get the same sort of elephant-hide attitude toward the situation, because they are going to have to come and do the job.

I think they have the ability to take it, if they will just think so, as well as a United States Senator. Goodness knows we are accused of everything under the sun, whether it is right or wrong, and we stand it and still endeavor to serve the country to the best of our ability.

Mr. NELSON. Mr. Senator, that, of course, is true, but don't forget that most of these men that we get are now doing a job. They are now doing a job for this war effort. All of them are in production and in productive activities, and they are now doing a job. It isn't as if they were loafing around the country and doing nothing. If that were the case, why, certainly you would be right. These men are now engaged in valuable productive activities, and we have to get them to leave those activities and come down here and help us.

The CHAIRMAN. Can you give us the names of some of those who have refused to be drafted?

Mr. NELSON. Yes, sir; it would be quite a long list, and it is getting to be a longer list.

The CHAIRMAN. I would like very much to have that list.

Mr. NELSON. Well, sir, it would be unfair, I think, in my personal opinion, to give a copy of that list.

The CHAIRMAN. I don't think it would be a bit more unfair than it is to publish a list of drafted men who won't answer to the call.

Mr. NELSON. When the Congress determines that we can draft them, gives us the power to draft them, then, sir, of course I would be very glad to give you that list.

The CHAIRMAN. I don't think in this instance you would need it, because they stand to lose more than anybody, and they stand to gain more than anybody by the proper winning of this war. I can't see why in the world a man refuses to come down here and



work for the benefit of his country because some newspaper or some United States Senator or some Congressman is going to say something mean about him. I can't get it. I just would like very much to have a list of those who are refusing.

Mr. NELSON. Mr. Senator, in many cases the corporation itself gets maligned and hears constant references to concerns who want contracts sending men down here. These men are not engaged in contracting. If you have read this thing, they have nothing to do with contracting. Their job is clearly defined, substantially defined. The contracting is done by the armed services, and, sir, perhaps you are right, but I have only this to say. I have the job to do, and I am finding it increasingly difficult.

The CHAIRMAN. We are trying to help you to get it done. We kick you around a little bit, but I think the kicks sometimes help a great deal.

Mr. NELSON. Well, in one thing, I believe, sir, you can help me a great deal—a great deal. If you could get another decision from Congress as to whether they want or do not want businessmen down here—there is a law now on the statute book. Congress has said that there should be men of that type down here and has made provision for them. If you would get Congress to reiterate or to define for me how I am to do the job with respect to the calling of those men, I would be delighted.

The CHAIRMAN. I think the Congress has expressed itself on that policy very decidedly, and I think, then, it is up to you to get these businessmen to come down here and operate, and kick out the bad ones and keep the good ones. We are not quarreling about the fellows who are down here doing the job for the benefit of the country. We would quarrel about those who have come down here for their own self interests.

Mr. NELSON. So would I.

The CHAIRMAN. That is the only objection we have ever had.

Mr. NELSON. So would I object to that, sir, and would consider that I hadn't done my job. I think you are misunderstanding. I am not talking about just criticism. I think anybody is willing to take that.

The CHAIRMAN. If it is unjust, it doesn't amount to anything.

Mr. NELSON. For example, corporations who have sent men down here still have questionnaires sent to them from various places and statements of one kind or another that they have to make out in connection with men coming down. It has definitely interfered. That is all I can tell you, sir, again, on that subject.

I believe that we need men down here qualified to do a job. If there is any place we can get them, I think we must get them. Of course, I would prefer to have men who would come down here and work on a Government salary. Of course, I would prefer to do that. I don't think that will make any difference, though, as far as I see, in the attitude of the Congress toward these men. Even though they leave their jobs and come down here on a salary, they are still subjected to criticism because they are businessmen, because they have been in business, because they know something about a business. It has gotten to the point that if you know something about a business, you are being suspected because you know something about it. That, sir, is the thing that I wish we could find a way around.

The CHAIRMAN. I don't really think that there is any such attitude as that in the Congress toward businessmen. There have been certain types of businessmen who immediately were looked on with suspicion. I will admit that since I have been here, it has been not a privilege, but a duty to be on a number of congressional committees which have found that situation to exist. But businessmen in general are highly respected by Members of Congress. Some of the best friends that I have in the world are able and capable businessmen, in whom I have the utmost confidence, and I think they have a code of ethics that is just as high as the code of ethics of the Supreme Court of the United States. I think you will find that is the general attitude of Congress.

Of course, there are certain people in the Congress who are given to criticism of businessmen and others, but that doesn't represent the policy of the Congress of the United States.

I think we have defined that policy when we said that we wanted the businessmen to come down here and help to win this war, and I think they ought to come, and I think they ought to make the same sort of sacrifice that all the rest of us are willing to make to do that very thing. If that sacrifice consists of having his hide taken off once in a while, he ought to be willing to stand it. And the bad ones ought to be sent home, if there are any bad ones.

Mr. NELSON. Certainly they should, but I haven't found that the Truman committee has pointed out any bad ones yet. I think you haven't pointed out any to me.

The CHAIRMAN. We haven't gone into this thing on a personality basis, Mr. Nelson. We are trying to get results. We got the assurance from you that you would take care of the personalities.

Mr. NELSON. Yes, sir; and we have. We are doing it. We are watching it just as carefully and honestly and conscientiously as we can. I am only reporting to you, sir, that we are finding increasing difficulty in getting men to come down here.

Senator WALLGREN. Is that because of criticism that comes out of the Truman committee or out of Congress as a whole?

Mr. NELSON. Not of the Truman committee, sir. I am talking about out of the Congress, from all directions.

Senator WALLGREN. Of course, you realize, too, that when this is all over, the responsibility is going to fall on Congress for the success or the failure of this program, in future years.

Mr. NELSON. That is right, sir.

Senator WALLGREN. They will forget all about these dollar-a-year men in a few years, but Congress will still have to bear the brunt of this thing.

Mr. NELSON. That is why I am pointing out to you, sir, that definitely we have got a tremendous job to do. We have got a big job to do, and we have got to get men who know that job. I am not talking about dollar-a-year men or businessmen. I am talking about getting the best qualified men in the United States to come down here and do that job. Perhaps you say, "Well, they ought to be able to subject themselves to it." I think maybe that is true. Maybe that is a true statement of affairs.

The CHAIRMAN. Mr. Nelson, I think you are a shining example. You have been perfectly willing to stick your neck out and take it and assume responsibilities. If you hadn't you wouldn't have been

able to get the job done. You wouldn't have been making an effort. Don't you think that the rest of these fellows ought to be able to do the same thing?

Mr. NELSON. Perhaps they ought to, sir, but they are not.

The CHAIRMAN. You ought, then, to let us know who they are, and maybe that will help the situation.

Mr. NELSON. I don't think we could get them down here by that kind of force, sir.

Now as to the Guthrie situation, which I will just mention in passing to you.

I accepted Mr. Guthrie's resignation because, in my opinion, he was not a good administrator. It has been my experience that there are various types of men, of course, who come down here. We have had others who were not good administrators, and I hold no brief for or against the man who is not able to handle his division.

I purposely set up the War Production Board so that there are all shades of opinion in it. It would be very easy to set it up so that everybody would be of one opinion in that Board. We could get men from all one group, and there would be one opinion, and you could never see a difference of opinion in the War Production Board. To me, that would not be effective, and, to me, that would be very bad for this country. I think we must have all shades of opinion from businessmen who are conservative, businessmen who are liberal, professors, economists, public servants, people of all kinds, because this job of conversion, this job of shutting off civilian production is not an easy thing, sir, nor is it to be toyed with lightly. It is very easy to say, "Shut them up," and it is very easy to shut them up, but we may suffer from the consequences for months and months.

As I have said to the newspapermen, only time will tell, and only history can record, whether we have been too slow or too rapid. In my opinion, it is about the right time. We had to do it at this time to conserve materials, to make provision for manpower, and to bring in facilities. Whether it is too slow or too late, no one can determine today. Every factor had to be weighed, and we had all differences of opinion in the War Production Board as to whether we should have shut them off last July, a year ago, before the program was even determined, before it was even of sufficient size to fill these companies with war business. We have had other shades of opinion that feel that the economy ought to go on at a reduced rate for some little time in order that we may make provision for things which we are going to need later. We have moved rapidly and as effectively as we could at the time that we thought it was advisable to make these curtailments. They have been made. Most of them have now been made, and the dates have been set. At the end of May practically all of the consumers durable goods industries will have shut down. Many of them will have been converted into war work. Many of them will not be converted into war work at that time.

There will be some casualties. There will be many casualties, of course, among the distributors, the wholesalers, the retailers, all over the country, who have been depending on the distribution of these goods for their livelihood, and I have considered it a very, very grave responsibility to take, and took it only when it seemed to me that it was the advisable thing to do for the war effort, realizing the reper-



cussions. I doubt if any member of the committee or any one of us really knows yet what the full extent of the repercussions of this action will be. Nevertheless, it had to be done, and it was done.

It has been my experience that these differences of opinion sometimes become violent. The ability of a man to be able to get all of these differences of opinion worked out and put into one action without leaving bad feeling is what I call good administration, and this division did not have it, and therefore I accepted Mr. Guthrie's resignation. That, sir, is the story.

The CHAIRMAN. Senator Wallgren, any questions?

Senator WALLGREN. No.

Senator MEAD. Mr. Nelson, I wouldn't want you to go away with any degree of discouragement because of criticism of dollar-a-year men, because in the first place I really believe you have overcome the greatest of your difficulties, and secondly, I believe that the criticism that has been directed toward dollar-a-year men has served a very good purpose in the main. It has caused a general reorganization of your set-up, until today it has reached its highest degree of efficiency, and today they have selected a man to head it who has the confidence of the country behind him.

The reason for that criticism probably grew out of the adamant attitude of a few large corporations who resisted with a firm determination, the spreading of the work, the extension of the program of production—I have in mind the Standard Oil Co. and the Aluminum Co.—and out of their involvement with other agencies of the Government, their resistance of orders issued by well-established agencies of the Government. Conditions like that—corporations like that fighting other departments of the Government, refusing to yield, determined to furnish even the enemies of this country with supplies—very naturally caused a lot of criticism.

As a result of the activities of the Department of Justice and the activities of this committee and your own activities, much of that has been wiped out. Your growing pains are behind you. I think you are doing a good job, and I think all together it has served a very, very good purpose. I wouldn't want you to be a bit discouraged in your desire to enlist men, because I really believe when the obligation is properly presented, they will be forthcoming.

I think the criticism of the future won't be as severe as that of the past because of the very nature and the effect of the criticism in the past. I think it has served a good purpose.

Mr. NELSON. I appreciate that observation, Mr. Senator. It probably is well taken in many places, and I wouldn't attempt to comment one way or the other. I was only trying to point out to the committee not in any sense of criticism of the work of the committee, because I do not have that attitude in mind at all. I believe this committee has been extremely cooperative, consistent with its line of duty of making an investigation of all the phases of this program. I was trying to enlist the aid of this committee in helping me solve that problem which is troubling me. We have some very good men down there, but these men are becoming badly overworked. The amount of work is tremendous in doing this thing that I am talking about. Their morale gets shaken, and they wear themselves out. There are some excellent men who have just fought this thing through. The accomplishments of W. P. B. have not been my accomplishments—they have been accomplishments of these loyal, hard-



working, hard-hitting, earnest—I can't speak too highly of the attitude of many of these men who have come down here, willing to work 12, 14, or 16 hours a day, 7 days a week, if necessary, to accomplish a particular job. It is my anxiety for these men. We need more men to come down so that they won't have to work so hard, so that they won't have to wear themselves out. If we get more good men and divide the work more, it won't fall on so few men, and that is the anxiety and the concern that I have, sir.

What I was asking for was the help of this committee in helping solve this problem so that we can get these men down here and have them come, when they come, not being afraid of criticism and certainly not being afraid of criticism for wrongdoing, and expecting vigilance in watching their actions.

I tell every man who comes down here that he is swimming in a goldfish bowl, probably naked in the goldfish bowl. Everything he does is exposed to the public view, and should be. He is a public servant, and it must be. As such, he may find all kinds of groups who may dislike things that are being done and who may take potshots.

It isn't that. It is more the feeling of a sort of concerted—I want to choose my word carefully—criticism to which he is subjected which indicates that he is suspect because of the fact that he is a businessman. The nature of it, the continuity of it, the constancy of it, make him feel in his own heart that he is suspect because he is a businessman, and that is the thing that I am appealing to you, Mr. Senator, and to your committee, to try to help me overcome, so that these men will come down and do this job that has to be done.

The CHAIRMAN. I don't think there is any such feeling as that in the Congress at all.

Mr. NELSON. Well, sir, my organization gets it from stem to stern. It is there, sir, and I am merely reporting to you the feeling that the men in the organization have. That is all I am doing, appealing for help from you in any way you can—advice, or counsel, or anything—to help me overcome that so that these men who have come down will continue to do an effective job in this great emergency.

Senator MEAD. Mr. Nelson, just one other thought. The conversion of the Contract Distribution Service has, I believe, increased the casualties among small business and independent manufacturers. To overcome that, the Senate, by unanimous vote, passed a bill a few days ago.<sup>1</sup> I was wondering if that legislation has the continuing support of your organization in the other House. In view of the casualties that you mentioned, which are increasing daily among small business, I was wondering if the prospects of setting that organization up have your attention and your enthusiastic support.

Mr. NELSON. Yes, Mr. Senator, it has. As I told the Senate committee, I didn't ask for the legislation, but if they chose to put it in with the War Production Board, I was going to see to it that the best job possible would be done with it. The minute it passed the Senate, I started work, got a group of people started to work, organizing, getting the plans made, trying to see that it would start off with the least possible delay once it was passed by the House. Sir, we are in that position today. Of course, we haven't picked any of the personnel, but we have put a group of people on, who are studying the type of

<sup>1</sup>S. 2250, passed by Senate March 30, 1942; signed June 11, 1942; Public Law 603.

organization that we need, and it is my plan, sir, to merge our Contract Distribution Service with that, and I believe that they can do a very effective job. I can see, as I go into it and study it, that that corporation can be very, very helpful, particularly in solving the problem of getting business for these pools of smaller industries that form. Today, as I explained to the Senate committee, there is a hiatus. These pools haven't a way of financing themselves. I can see possibilities of great service in that corporation, and, sir, I am going right ahead with the plans for organizing it so that we can put it into being with the least possible delay once it has passed the House.

Senator MEAD. I am sure you will tell that to the House committee in charge of that.<sup>1</sup>

Mr. NELSON. I will tell them just that.

The CHAIRMAN. Senator Connally?

Senator CONNALLY. Mr. Nelson, I apologize. I was somewhat late and didn't hear the first part of your statement.

I want to say at the outset, though, that one of the chief things that you and your organization can do for the country in the period of war is to develop a thick skin, because you, being the head, ought to have a rhinoceros character if you want to serve the country, for you are going to get criticism no matter what you do. I have had experience in that line.

As I understand, you testified rather fully that the production program has shown great improvement all along the line.

Mr. NELSON. Yes, sir.

Senator CONNALLY. And that there is a fair degree of harmony and unity among the armed services and your organization.

Mr. NELSON. Yes, sir.

Senator CONNALLY. That is very gratifying, and I have felt that that would be the case when you were appointed, because I think you are doing a fine job.

Of course, it is your view that if you want to get advice and counsel about some technical matter, you have to get somebody who knows something about it. Is that right?

Mr. NELSON. That is right, sir; definitely.

Senator CONNALLY. If you broke your eyeglasses and wanted them fixed, you wouldn't take them to a blacksmith job, would you?

Mr. NELSON. No, sir; you would not.

Senator CONNALLY. Of course, on the other hand, the public and a lot of these folks who sit up here in Washington and comment about everything, who know more about everything than anybody else you can find, have created a widespread suspicion of businessmen in the administration and in your administration. That is perfectly natural. But your point is, I believe, that they do not have the actual contracting authority.

Mr. NELSON. Not at all, sir.

Senator CONNALLY. That point is good as far as it goes, but, of course, in taking any course of action any time, we do it on advice and counsel of a lot of things that precede the actual making of the contract. But if I understand you correctly, you are trying to see that none of these men use any improper influence to throw business to their own concerns.

Mr. NELSON. Yes, sir; that is certainly right.

<sup>1</sup> House Committee on Banking and Currency.

Senator CONNALLY. You are the head of it. No matter if the office boy down there does something wrong, you are going to have to be responsible for that. You know that.

Mr. NELSON. That is right.

Senator CONNALLY. That is why I want you to develop that thick cuticle, because you will need it every day to stay down there.

Mr. NELSON. Mr. Senator, it is getting thicker every single day.

Senator CONNALLY. That is fine. You are showing progress. But what I mean is, you musn't be irritated by a little criticism. You don't have to run for your office. We have to run for ours. [Laughter.] What I mean is that if these gentlemen really want to do this country a service and are patriotic, they certainly can stand some sniping if the boys in the battle front can stand some shooting with guns and artillery and planes. These heroic businessmen—and they are—I don't cast any reflection on the businessmen—I always did wish I had been one myself.

Mr. NELSON. You would have made a good one.

Senator CONNALLY. I don't know about that, but when I see the great things they have, the rewards that come to them, and the ease with which they live and afford to come down here, I have always wished I had been a businessman.

Mr. NELSON. That, sir, may I observe, is a delusion, like the case of living in Congress.

Senator CONNALLY. All right. I mean if they really wanted to serve the country, one of the best ways they can serve it is to go on and do their duty, not give their own contracts to their own firms, and to stand the gaff, take the punishment, take the pressure. I hate to see one who quits and surrenders the first time there is criticism, as the men did at Bladensburg. At the first shot they all ran and got licked. Stand there and take a little of this punishment.

I realize that you can't do without all these experts. But what do we have hearings before committees for? What do we bring people in for? It is because they are supposed to know more about what we are worrying about than we do. We are trying to get information. But you are going to have to take the responsibility. I assume you have a little kitchen cabinet somewhere there which keeps you advised about all of these different departments?

Mr. NELSON. Yes, sir.

Senator CONNALLY. And if there is a fellow that is suspect, you can look him over?

Mr. NELSON. That is right, sir.

Senator CONNALLY. You don't always tell him you are looking him over when you are doing it. Is that right?

Mr. NELSON. That is right, sir.

Senator CONNALLY. Someone mentioned to me that you said we were sort of over the hump in the production matter.

Mr. NELSON. Yes, sir. I believe, sir, we are over the hump and on our way. We are going to find a lot of snags and difficulties, but we are going there, sir, I think. American industry is really doing a grand job, and I think American labor is doing a grand job at the present time. They are cooperating with that production.

Senator CONNALLY. Hasn't your experience during the short time you have been there, demonstrated that what we need is unity—I mean



a one-man, centralized job of it? If you are not the right man, of course they can take you out.

Mr. NELSON. That is right.

Senator CONNALLY. But you can't have two horses, one of them wanting to go one way and one the other way; one wanting to go forward and one getting tired and lying down in the harness. You can't do it.

Mr. NELSON. In my opinion, that is very important, sir.

Senator CONNALLY. You are trying to do that thing?

Mr. NELSON. Yes, sir.

Senator CONNALLY. You have made some changes, haven't you, since you have been there?

Mr. NELSON. Yes, sir; there have been quite a few.

Senator CONNALLY. Key men?

Mr. NELSON. Quite a few men.

Senator CONNALLY. Quite a few. Well, I hope you won't have any hesitancy in making any changes when it shows that it is necessary. I think Congress as a whole will stand by you.

Mr. NELSON. This is war, sir, and we can't afford not to make them when they are necessary.

Senator CONNALLY. No. Put him on a stretcher and carry him out, like a man who is shot.

I believe that is all, Mr. Nelson.

Mr. NELSON. Thank you.

Senator KILGORE. With reference to the dollar-a-year men, I gathered from your conversation that possibly some of the men are not getting a part of the picture that might help them out a little bit. For instance, this picture comes to me so frequently from outside, not on the question of being a businessman, but a lot of criticism comes from the businessman who tries to do business, who tries to keep his plant open by getting a wartime contract, and finds that his competitor (usually his biggest competitor, because that is what we have had to draw from to get the best talent) is connected with the War Production Board and, rightly or wrongly, he feels that maybe he has been left out cold. I think that is where a lot of the criticism of the question of dollar-a-year men arises. It is from the small businessman who feels it is due to the fact that somebody connected with his largest competitor is in some way connected with the letting of contracts that may affect his business. He feels that maybe he is getting some injustice. He is looking back to the old competitive days. He feels that he is being shut down unjustly. I think a large part of that criticism is coming from that.

I am not saying that there is any truth in it at all, but they get that impression and go out and do a lot of talking about it. I think that is where the criticism is coming from, and I think the dollar-a-year men must realize that, and, in fact, all men who have been with industry must realize that it is a criticism largely of industrial competitors.

That is your foundation stone for this question. That is what I have run into this spring. Previous competition and previous business bitterness has grown up, and he finds that maybe his bitterest opponents are connected with it, and he feels he hasn't got a square deal. Don't you find that?

Mr. NELSON. Yes; I am sure that is a very intelligent analysis of it, Mr. Senator. Of course, it isn't true. If I saw any man influencing



a contract down there in his behalf, he wouldn't be there 5 minutes, and I have never seen one, sir. It just so happens that the way we are set up, it is very difficult for any one of us to advise as to who, specifically, shall get the contract. That is done by the Army or the Navy. I have gone even to the point of being overzealous in seeing that the contracting power is kept within the Army and the Navy.

We had one of two courses to take when we took this job. Many urged that we set up a buying organization independent of the Army and Navy. I knew, sir, that that would be just dead wrong and didn't even consider it for 5 minutes, because it would have been impossible to have gotten the type of men that we wanted to come in here and do that job with the contracting power without having subjected themselves to great criticism. So, in setting it up, we were very careful not to take a bit of authority away from the Army or the Navy. As a matter of fact, we enhanced that authority, so that today I think it is practically impossible.

Sir, I would just like to have you keep on investigating any place you find that that thing may be suspected, and if you find it, certainly our system is wrong. I think you will not find it.

Senator KILGORE. Mr. Nelson, I didn't intend to make that as a criticism—

Mr. NELSON (interposing). I understood it.

Senator KILGORE. But as a suggestion. You said that both the Board and you needed help. Might I also further suggest that there should be some educational work carried on among these business people of the country, some of whom, unfortunately, are casualties or partial casualties, to show them the system, to show them that they are not being discriminated against and can't be discriminated against, and educate them until they feel they are being fairly dealt with. Don't you think it is a big part of the program to obviate this criticism through an educational program?

Mr. NELSON. I do, Mr. Senator, and, as you said, I believe that is one of the things we haven't done. I think we have been so busy with the job we have been doing that we haven't done that job well. I can truthfully say that I don't believe we have gone out to the country enough to try to educate them as to why and how it is done, and so forth.

Senator KILGORE. That was the point I was bringing up.

#### EFFECT OF CONVERSION PROGRAM ON SMALL BUSINESS

Mr. NELSON. I think that is a very fair observation.

The CHAIRMAN. Senator Ball?

Senator BALL. Mr. Nelson, you say the contracting authority is still kept in the services?

Mr. NELSON. Yes, sir.

Senator BALL. Doesn't the W. P. B. have something to say about the policy in letting contracts?

Mr. NELSON. Broad policy, sir, but never to any specific company.

Senator BALL. What bothers me about that is that you have an agency in the War Production Board which shuts down civilian business, and then you have another agency which really has the power—the only power—to see to it that those businesses get into war production. It makes it rather tough. What impressed me in

the last month or so, as your conversion orders have gone out stopping these civilian industries, was that the small metal-working industries that come in here and try to get contracts find that they cannot negotiate a contract on a cost-plus-fixed-fee basis, as most of the large manufacturers are negotiating them. They have to come in and bid, and there are thousands of them bidding, and a lot of suicide bids come in.

Actually, of course, they are in a poorer spot to estimate their cost of producing a new war item than the big concerns that get the negotiated contracts. I don't see how you can ever really get small industry converted in this picture without negotiating contracts. I realize that there is danger there of your cost running pretty high, but some of those fellows just can't bid intelligently. They will either go bankrupt and fulfill a suicide bid, or else they are out entirely.

Mr. NELSON. I am sure that is right, sir, and I think one of our unfinished jobs is the solution of that problem. One of the first directives we issued from the War Production Board, under the powers granted us, was that contracts should be negotiated, and that it should be only the exceptional contract that was on a bid basis.

Senator CONNALLY. Senator Ball, may I ask a question? Will you yield for one question on that same subject?

Senator BALL. Yes.

Senator CONNALLY. Let me ask you, Mr. Nelson, have you run into difficulty about specifications? Frequently, it seems to me, there is a vice in that a lot of these contracts, the War or the Navy Departments or somebody in them have drawn the specifications in such a way that only a few concerns can comply. I know that was the case before the war. You would go down there, and they would have a specification for some particular process or method that nobody would want to do, which only one concern could ever comply with. I wanted to inject that in there.

Mr. NELSON. I think, Mr. Senator, that that is pretty well out of the picture. That perhaps was there in peacetime to some extent. I don't believe it was there intentionally. I think it grew in unintentionally, because in many cases concerns helped write the specifications. Wherever we have found that, we have had no difficulty in getting a change with the Army or the Navy, either one, and any that you see or that you hear of, if you will just let us know, we shall have no difficulty.

You will find, of course—and it is a thing that is very difficult to overcome—that many of these specifications are of a very highly technical nature.

Senator CONNALLY. That is true.

Mr. NELSON. The tolerances are very hard for the average man or machine to meet. We have tested these tolerances in many cases, and it has been our experience in practically every case that the Army or the Navy was right, due to some peculiar usage of the machine, of the tool to which it was to be put—interchangeability, the servicing of it, durability. I have found very few cases.

Senator CONNALLY. I just wanted to call that particular thing to your attention and commend it to your organization to watch, for frequently a little trick in a specification can just ruin all the competition and give it to one man.

Mr. NELSON. We have a group, sir, set up to watch specifications—a very good group of engineers from engineering societies, who watch that very carefully.

Senator CONNALLY. Thank you, Senator Ball.

Senator BALL. I would like to follow that contracting thing a little further. It seems to me we talked about the same thing back in January, that probably the only answer to the little fellow was negotiated contracts, particularly on their initial conversion. The ones who talked to me tell me that everything—all the little stuff that they can bid on, that they can make—is still being let on bids.

Mr. NELSON. It is, sir, but you see, there you have the difficulty in the process of selection. I mean, there are thousands of them and a relatively small amount to give out. If you just parceled it out among all of them, we will say, they wouldn't get enough to make full runs so that the business would be valuable to them. I don't know how to solve it yet, although we have given it every care and attention, and we think it is being solved gradually.

That is a process of selection where a thing can be made by a very large number of people; for example, clothing. As you know, there are many clothing manufacturers, and we have tried dividing it into very small lots. We do have that difficulty of selection when we get into the simpler items.

We have attempted to solve it, sir, in this way, and we are getting good cooperation from the services in seeing to it that the larger concerns, with engineering organizations and ability to make the more difficult items, do not get filled up with the simpler items to make. In that directive—I think you have a copy of it; I think a copy of it has been sent to you; if not, I should be glad to see that you get it again—which is being followed more and more each day, the simpler things are being held away from the larger concerns. They are being given the more difficult things, and the simpler things are being given to the smaller concerns.

I still feel, sir, that the answer to the small concern is one of two kinds. One is in subcontracting. Just the other day I sent out another admonition to the larger prime contractors that they must do more subcontracting. They must get more of these contracts out into the hands of the smaller fellows, who can take a subcontract because they have the engineering organization and production organization of the larger concern to help teach them how to do it, how to make it, and how to fulfill the specifications of the Army and Navy.

But I do feel, sir, that that is not a problem that I could tell you is solved. It isn't, although it is having our full and complete attention, and today the Army and the Navy are actively cooperating.

Now we have reached a point where, in order to get this program finished, it has to be done through more subcontracting. We haven't the time now to do otherwise, with the program having been developed, and the urgency and the time element being in there. The experience with subcontracting, however, still is not good and the experience with pools is not good. I should think, sir, that it might be, Mr. Senator, an excellent suggestion for you to make an investigation of pool activities and just help develop the facts.



The CHAIRMAN. We started such an investigation to begin with, when they were first under consideration, and I have been intermittently continuing on it. We expect to carry that to a conclusion.

Mr. NELSON. We would be glad to give you complete cooperation in helping you in that field if you would like to go into it.

The CHAIRMAN. We would, very much.

Senator BALL. As I get your answer, the fact is that there aren't enough prime contracts to fill up all the plants that are being shut down in these conversion orders, and the only answer, then, is subcontracting to get some of these big prime contractors to sublet some of the simpler work.

Mr. NELSON. In my opinion, the solution lies in that direction, sir, rather than in the prime contracting field.

Senator BALL. And that is the reason they are using this bidding to let the prime contracts for it, simply as a method of selection.

Mr. NELSON. As a method of selection.

Senator BALL. Have you set up any organization actively to hammer at these big fellows to get this subcontracting out?

Mr. NELSON. That, of course, is one of the jobs that our contract distribution organization is supposed to do, but it could not be effective until the Army and the Navy became thoroughly convinced that it had to be done, and today I can truthfully tell you that they are becoming more convinced each day, and today I believe we are beginning to get splendid cooperation from all the procurement officers of the Army and Navy in that direction.

Senator BURTON. Mr. Nelson, touching first on this Guthrie case that you referred to us, I just want to get a clear perspective of it. As I understand it, you do not charge any bad faith or any improper motives on the part of Mr. Guthrie.

Mr. NELSON. No, sir; I do not.

Senator BURTON. But you do feel that his resignation has eliminated friction which was to the detriment of the service?

Mr. NELSON. I do, sir.

Senator BURTON. Do you recognize that there may also have been some benefits arise from the attention which his resignation brought to the conversion problem and the need of prompt conversion?

Mr. NELSON. Very little, sir. It certainly didn't change my attitude toward it. I have always been for the past 2 years in favor of it, at the right time, bringing them into synchronization with the need. Of course, a lot of commotion was caused by that; a lot of differences in opinion were brought to the surface. It may have done some little good. I can't say that it didn't, but at the same time it did a lot of harm.

Senator BURTON. You are satisfied at the present time with the rate of conversion?

Mr. NELSON. Yes, sir; I am. If I weren't, I would order it to go faster. At all times, I was completely in control—at all times! That has been one of my principal jobs, to watch, to see that we didn't delay wherever conversion would help the situation, either through eliminating the use of material or through the need of their facilities.

Senator BURTON. And in the process of conversion, of course a great many of these small businesses we have been talking about indirectly go out of business, and I want to add my word of en-



couragement to that of the Senators who have spoken, that it seems to me that in the field of small business, there is an added capacity for production that is necessary to meet the production required.

Mr. NELSON. I think it is vitally necessary.

Senator BURTON. And when you reach the marginal field of production which we didn't have to call on in the last war and go into small business to get it, you find that it is a slower process than it is to deal with big business, and therefore you really have to set up a new technique and almost a separate division to meet that problem and to reach that small business; isn't that true?

Mr. NELSON. That is very true, sir.

Senator BURTON. And do I understand that you are, therefore, setting up and placing a primary responsibility on a separate division which will take whatever time is necessary, even though it is much more time than would be taken for large business, to reach this small business?

Mr. NELSON. Yes, sir. I will put it this way. In planning this new organization, following the Senate bill, assuming that the House will pass it—which I hope they will—I believe that we will then be able to perfect it, because we will have the power of financing; we will have the power to accept contracts for pools. In other words, one of the best ways of getting these men into this picture is through the formation of pools. They will take the contract for making a rifle and parcel it out, with one of them being the so-called mother hen or having responsibility for seeing to it that the schedules are met, for seeing to it that the proper engineering is done, for seeing to it that the machinery is properly kept up and the tolerances are met, and I am hopeful that we can show some very good results by properly manning and giving the authority to that organization to go ahead and show what can be done in this pooled operation.

Senator BURTON. Now, I understand that you are to come before us again with a general review of the W. P. B. and its progress, and at that time you will discuss the particular matters perhaps as to synthetic rubber, and so on, rather than at this time.

Mr. NELSON. Yes, sir; I would be glad to discuss any one of them, of course, that you want now, but I had hoped to give you a full and complete report of what we are doing.

#### CRITICISM OF WAR PRODUCTION BOARD POLICY OF EMPLOYING DOLLAR-A-YEAR MEN

Senator BURTON. Turning to this other matter that came to our attention through this Guthrie investigation and through later comments as to the dollar-a-year-man, let us consider the problem of criticism. I wonder if perhaps some of the businessmen who feel that criticism have ever compared themselves to a baseball player in one of our big league parks. Now, when he is playing in one of those big leagues and he is pitching out there in the middle of one of our big league games, everyone in the grandstand expresses his opinion pro and con, and that man has to go ahead and pitch the game and the crowd turns with him as he does his job.

Mr. NELSON. That is right, sir; but may I point out the difference, as I see it, and I am glad you brought out the illustration because I think it is good. You don't suspect each one of those baseball

players, when he makes an error, of throwing the game to personally win money and win the game for himself. It is suspicion and not criticism.

The CHAIRMAN. It has been a long time since that happened, but it has happened.

Senator BURTON. It is at that point that the man, himself, must set up the strength of mind that protects himself against that kind of unjust criticism. I think it was Lincoln who said that if he were to read, much less answer, all the criticisms that were made of him, he would have no time to do any work, so he did the best he could and went ahead.

Mr. NELSON. I have gotten to that stage, sir.

Senator BURTON. And I think that as this question of the businessman comes up, I haven't recognized anywhere here in Congress the question of a businessman being suspected because he is a businessman. This is a business job that you are being asked to do and I think it is clearly obvious that it takes businessmen to do it, and the question that has come up has not been related to the fact that they were businessmen, but the question has come up—and this is a natural question—not so much, let's say, on the part of Congress, but on the part of the public—the old problem of serving two masters. It is the inevitable human question that arises. Therefore, if these men are in an advisory capacity, there doesn't seem to be much question arise, because that has been customary for years and it is absolutely necessary to call on advice of every sort.

Just as soon as a man does have two employers and is called upon to make a decision, then, however fine he may be, somebody, justly or unjustly, is going to raise the point that he is in an embarrassing position; therefore, if they don't like him or don't like his results, they will criticize him on the basis that he has two masters.

What is your best method of answering that? When a man, for instance, takes a position in the Cabinet, he does give up his private salary wherever he has it and goes ahead with public business. Some of these positions, if they are going to be positions of exercising discretion, are almost as important as a Cabinet office, so far as the effect on the war goes.

Mr. NELSON. Well, sir, until we have permission to draft men—and that may have to come; I mean, we may have to have a form of organization in which men are drafted who will do these jobs—we have to get them to come down of their own free will, because we pick a particular man for a particular job, knowing him to be the best man we can get for that particular job.

When we do that, a man may be in such circumstances, sir, as I have explained before the committee before, and it isn't easy for him to drop his work and take a Government job. He doesn't know how permanent that may be. It may be for a period of 2 weeks, 2 months, 3 months, 4 months, that we may need him for that particular activity. It would be very unfair to ask him to drop his position for that length of time.

We go through all phases in this war production, and will go through all phases. We have now passed through the conversion phases, and the conversion is now going on. We passed through the curtailment phase and are now in the conversion phase of this. After the conversion phase is done, then we are going to be in a straight

productive phase, the licking of bottlenecks which will be largely production, in the raw material field and in other places.

And these jobs will come up and go down. Men will be brought in for 2 weeks, 3 weeks, a month, 2 months, 3 months—we don't know what the length of their term of service will be—and I have felt that it is unfair to ask them to give up seniority. They may be in certain financial conditions where they have insurance to pay, obligations, income tax to pay on their previous year's income. I can speak from experience, sir, that that is quite a drain when you start living on a Government salary and have to pay an income tax on the basis of last year's salary. Not that anybody objects to it; it is merely the fact that it is there, and if it were possible, I would certainly prefer, just as I did, to resign from the position and have no thought of previous connection or, as you say, the serving of two masters. But it isn't always possible. If it were, that would be the logical solution.

The CHAIRMAN. I rather think that you ought to proceed on the theory that you have the authority to draft these fellows, and when they won't come, just send us their names and we will bring them down and find out why, and I don't imagine you will have any more trouble after that.

Mr. NELSON. When you ask him why, he will tell you what I am telling you now.

The CHAIRMAN. He won't want to come down and tell us why, any more than he will want to refuse the job, because he can't give a good reason if he wants to save the country. If his reason is that he fears criticism from the committee, we will let him have it then, and then he can go on to work.

Mr. NELSON. That may be a solution. I will consider that, Mr. Senator.

Senator BURTON. It seems clear that you should get the best men in the country for these jobs.

Mr. NELSON. We have to have them.

Senator BURTON. That is absolutely clear. Then the question is, how are you going to do it? Your ideal way would be to have them resign from where they are and devote their full time to this work.

Mr. NELSON. That is right, sir; that would be the ideal way.

Senator BURTON. I take it you are trending toward that. You are trying to bring that about.

Mr. NELSON. We certainly are, and have endeavored to do that.

Senator BURTON. And where you are not able to accomplish that, then isn't it necessary for you, perhaps, to give up sometimes the best man in the country, because he is no longer available in the sense that you want him to be available because he is in a position that he can't give up his connection with his old concern, and therefore you may use him in an advisory capacity because you wish to make it clear to the public that the man who is going to make decisions is going to make them solely for the United States Government. You may have to forego a man who says, "I can't leave my other employment."

Mr. NELSON. Well, of course that is the hard thing when you know that that particular man is the man who has had the experience to do the job more rapidly, and it is the speed of doing the job that



counts today. The speed of the job is even more important than the quality of the job.

Senator BURTON. Then it is your job to make it clear to the public that this man is of such a character and is doing the job in such a way, that they can trust him just the way you trust him. That is a matter of assigning him the kind of work he shall do; it is a matter of building him up; it is a matter of making that clear to the public, because the public are perfectly fair in the end, but the public have got to know the facts and you have to maintain a department that gets the facts to them. You have to sell your case to the public just as well as to yourself.

Mr. NELSON. I think perhaps that is a job that we haven't done well, but, of course, we have been so busy doing other jobs we haven't done that one well, perhaps.

Senator BURTON. I think that is one of the things that is peculiar about public life. When men go into public life, they try at first to live it the way they did their private life, and all of a sudden they find they have another factor to deal with, which is the public whom they serve, and you have to keep your public advised as you would have kept your board of directors advised, and it is quite a job.

Mr. NELSON. Of course, unfortunately, you see, Mr. Senator, we can't give out figures on production. I think if we could give out figures of accomplishment that some of these men have made and show what they have accomplished, how they have done a particular job, the public then would have a far different opinion of the work of these men. If you could point out just what they have done, just by reason of their knowledge of the situation how they have gotten things months sooner than they would have gotten otherwise, then I think we could do that. But, of course, most of the work we do on production is work that we can't give out figures on because it would aid the enemy.

Senator BURTON. I think it would be helpful, though, if you gave some considerable thought to convincing the public why you are convinced that each of the steps that you take is right. They will be fair in the end, but you can't expect them to agree with you if they don't know the facts.

Mr. NELSON. I have great confidence in the fairness of the public. In all my experience with them, I believe they are fair, if they get the right information.

Senator BURTON. If you can just teach every one of these men who are a little jittery about it, to have faith in the people and faith in the kind of government we have, although it is a little rough in the doing of it, they will come out all right, too.

Mr. NELSON. I think that is a very good observation, sir.

Senator CONNALLY. Mr. Nelson, after all, isn't it a question of the man's character?

Mr. NELSON. Always.

Senator CONNALLY. If he has any conception of ethics and integrity and patriotism, he won't crook the Government.

Mr. NELSON. No, sir; of course not.

Senator CONNALLY. I couldn't conceive of any worse stigma on a man in the years that are to come than to have the record of having filched money out of the Treasury for his own company when he



ought not to have done it, at this critical stage in the country's existence, when it is struggling for its life.

Mr. NELSON. No, sir; I can't either.

Senator CONNALLY. I would rather be in the battleline and run at the first crack of the gun than to be charged with hijacking the Government.

Mr. NELSON. That is right, sir.

Senator CONNALLY. And I suppose that in the selection of a man, you bear that in mind, don't you? You get a man of character.

Mr. NELSON. Character, sir, is the first ingredient we look for.

Senator CONNALLY. Of course, you will make mistakes. There will be a few of that kind of fellows slip by, but they won't slip by twice; will they?

Mr. NELSON. No, sir; he won't.

Senator CONNALLY. If you catch him once, you won't tolerate him any longer.

Mr. NELSON. And I can truthfully say we haven't found anybody yet in that position.

Senator CONNALLY. It seems to me we have to rely on men's integrity and character until they prove otherwise in all responsible positions—Senators and Congressmen and everybody else. In these times of peril, if any man—Congressman or Senator, W. P. B., or Army, or Navy, meets a situation where his own interests are on one side and the Government's interests are on the other, and he decides in his own interests, he is a poltroon and almost a traitor to his country; isn't he?

Mr. NELSON. That is certainly well put, sir.

Senator CONNALLY. My vocabulary is about exhausted, but I think we have covered it.

Senator BALL. Mr. Nelson, you have given us a good report on the production picture, and from what I have seen of it, I agree that you are right. Then, you say that your picture on these dollar-a-year men would be better if you could publish production figures. I think I know why you can't, but I think the public isn't fully aware of why you can't publish production figures when they are good, and I know that there is some tendency to believe that they are being withheld because the picture isn't good, and I think it might be helpful if you would make a statement as to just why it is unwise from a military point of view to publish production figures, even when they are ahead of schedule.

Mr. NELSON. I think, sir, that is a very good point. I think it should be done. I will make a note of it and do it.

#### NEED FOR COOPERATION BETWEEN VARIOUS GOVERNMENT AGENCIES ON PRODUCTION PROGRAM

Senator MEAD. Mr. Nelson, have you a shipping division at W. P. B.?

Mr. NELSON. In what way, sir?

Senator MEAD. You have a number of divisions and sections. Have you a section to study shipping, transportation?

Mr. NELSON. No, sir; that is done under Mr. Joe Eastman.

Senator MEAD. Yes; we have a Coordinator of Transportation, but it occurs to me that your organization would be well adapted for an

over-all transportation and shipping division. For instance, Jerry Land's job is to produce a certain number of ships, and the Army, the Navy, and other agencies have the job of demanding the shipment of supplies here, there, and the other place. The Coordinator of Transportation is trying to coordinate all of these agencies to see that that job is done, but if you take any given material and follow that from its source to its ultimate manufacture and delivery, it seems to be a job for W. P. B.

Mr. NELSON. That is, sir, and we do have a Priorities Division on Shipping. We tell both Jerry Land and his shipping organization—you see, he has two jobs, one to build the ships and the other, the Shipping Board. We give him the priorities on materials. Of course, material of war is given to him by another group, we do not do that, but we tell him what we need, and when and where, and establish the priorities.

Senator MEAD. What I have in mind is an agency such as yours set up to aid these various enterprises having to do with transportation, by requiring the processing or the manufacturing of materials at some other point. For instance, if you take the case of bauxite that comes from Dutch Guiana, it is unloaded in New Orleans, it is shipped to Bonneville on the west coast, it is shipped from Bonneville back into Pennsylvania for fabricating; it is shipped then to the airplane factories. The airplant factories, one of them in particular, building big bombers, can finish the bombers and fly them right away from the factory to Russia, China, or any place; but they are going to build great big trailers because they can't ship the parts by rail or by existing facilities, and they are going to transport the bomber in parts down into the Southwest and they are going to assemble them and fly them away down there.

Now in the study of that problem, from the basic raw material to the finished bomber in the sky, there is a tremendous waste of transportation.

Mr. NELSON. There is, sir, and that I have pointed out, and Mr. Joe Eastman has appointed a group to study that whole question of cross-hauling.

The CHAIRMAN. We are going to ask Mr. Eastman to come down and give us a dissertation on the whole subject.<sup>1</sup>

Senator MEAD. One of the biggest bomber manufacturers in the country told me that instead of allowing him to finish the bomber at his plant so it could fly away, they are going to invest in thousands of tons of steel to make these trailers, thousands of pounds of rubber to run them over the highway, thousands of man-hours, and with it all, a lag, a waste in time from the time the bomber parts are packed up and shipped from one end of the country to the other, to the time when it is really flown off the ground.

Mr. NELSON. Well, sir, our organization is supposed, in the original planning, to take all of that into consideration and work it out, and if we have overlooked it, I would like very much to have that

<sup>1</sup> See *infra*, pp. 5199-5225, for testimony of Joseph B. Eastman, Chairman, I. C. C., and Director, Office of Defense Transportation.

brought to my attention and find out just what we have done about it. In the original planning, we are supposed to look into that.

Senator MEAD. I believe, as you said in the beginning, we are over the hump and inside of 2 or 3 months we will have swamped every facility in the country, the railroads, the highways, the ships and everything else, to haul the material of the industries to the battle fronts. That will be our problem—shipping.

Mr. NELSON. That is right.

Senator MEAD. So it occurs to me that if you had a Division of Shipping, they might prove an overall agency to bring these recommendations and these orders to the various other agencies that are involved in this picture.

Mr. NELSON. I will be glad to survey that again with Mr. Eastman. I had conceived that as his job and had taken up with him this question of the cross-hauling, the elimination of unnecessary hauling, because I, with you, share a grave apprehension of the ability of our shipping facilities.

Senator MEAD. But, of course, Eastman would have no authority to tell that airplane manufacturer to finish the job at his plant and fly the plane away.

Mr. NELSON. No; but once he points it out to us, we would have the authority to do that; and he is doing the studying of it, of course.

Senator MEAD. That recommends the need of a sort of get-together agency where the various men in charge of shipping and transportation could get together and discuss the problem.

Mr. NELSON. I think you have pointed out a thing there perhaps that we haven't given enough attention to on our own part. I have conceived that as being the job of this Division of Transportation, to point out to us places where shipping could be improved through either change in facility, changes in sources of supply, elimination of unnecessary movements of goods—and they have a skilled transportation organization and they, of course, point them out to us. I think what I will do, following that suggestion of yours, is to appoint a group that will work directly with those studying the problem so we can coordinate it faster than we would otherwise.

Senator MEAD. The delivery of airplanes without the necessity of packing them into crates, using ships, has been refined in some of the countries; the use of emergency tanks; the use of carriers for fueling stations, and various other devices; temporary airports. All this has conspired to eliminate shipping and to set it aside for something else.

Where a man who is a manufacturer can also assemble his plane, he ought to be allowed to do it. To manufacture it in one section of the country and ship it all over the country for assembly elsewhere probably is a waste of transportation, and in view of the fact that that is going to be the great problem in the very immediate future, it seems to me that we ought to put all the thought and the attention we possibly can on it.

Mr. NELSON. I think you have pointed out a point that we ought to emphasize a great deal more, Mr. Senator, and I will set it up right away and work in cooperation with Mr. Eastman's group.

Senator WALLGREN. Mr. Nelson, along that same line, what part does your organization play in the choice of plant sites?

Mr. NELSON. We have a Plant Site Board that is made up of people from various branches of W. P. B. and of the Army and the Navy who work constantly on that question of the selection of plant sites.

Senator WALLGREN. They give considerable thought to the availability of labor. I suppose.

Mr. NELSON. The availability of labor, sir, the availability of power, transportation, housing, other facilities that may be needed, and only in very exceptional cases do they allow a site to go in some place where those things are all needed. Occasionally you have to do it. Speed is one of the primary things in this whole program.

Senator WALLGREN. We have heard some complaints about plants being erected in outlying spots, causing a transportation problem to and from those plants, and we have heard that criticism directly from people who were going to operate the plants themselves.

Mr. NELSON. Of course, that is true, and when plant sites were originally selected, that was not such a problem, because it was not conceived that there would be a public problem as grave as that which we face today. But aside from that, even if it had been, many of these plants have to be located out because of some reason—for water or power facilities, or to be away from a community in the case of powder plants and bag loading, and other things. They have to be outside the community. I don't know of many cases, sir, where that has been overlooked and those considerations haven't all been taken into account in any large site.

Senator WALLGREN. We can say, then, that the responsibility for the choice of a plant site is in your organization?

Mr. NELSON. That is right, sir, and we can be held strictly accountable if a plant site is put in a place where it should not be.

Mr. FULTON. I noted your reference to the fact that in the past you have been working on rather an extensive program, whereas now it is going to be largely an intensive one, and that really means, does it not, that you are entering into a very important phase of your work that I should think would be most difficult of accomplishment?

Mr. NELSON. Of course, we are now reaching the very difficult part of our work because we are reaching almost the physical limit of our economy to handle the program; and I, sir, for one, am trying to force it up to the physical limit and even beyond, realizing the urgency of the situation.

Mr. FULTON. And these directives that you have arranged with the Army and the Navy are intended to enable you to agree on a united, single program that is capable of being carried out to get the most that the country is able to give?

Mr. NELSON. That is right, sir.

Mr. FULTON. And the difficulty, as I would see it, is that as it grew up in the past, there were perhaps 20 or 30 programs which there was an attempt to unify but which largely grew up as individual programs for individual things, such as, say, tanks or airplanes, Navy ships or ships for maritime, and all the other things that we have in the program.

Mr. NELSON. It is very necessary for us today, in this intensive stage, to consider each one in relation to the other. For example, there is just so much steel-plate capacity. Let's say at the present



time it is in the neighborhood of 850,000 tons. That steel plate is used for merchant shipping, it is used for combat ships, it is used for auxiliary craft of all kinds, it is used for repairs to battleships, it is used for tanks, it is used for locomotives, it is used for synthetic rubber, it is used for 100-octane gas, and it appears in other places in all kinds of forms. It becomes essential that each month we view the program of steel plate as to where it will go in order that it does the most good at that particular time and there may be changes and switches in it. At present, merchant shipping should get the No. 1 use of steel plate. Shipping is our very big problem. Then on down the line. I don't want to discuss, naturally, all of the relations of one part of the program to the other in public, but each one of these things, each material, becomes a question of selection as to where it goes in order that it can do the most good. Machine tools must be selected so that they go into the part of the program that must come up, and the whole thing must be viewed as a whole to come out as a whole rather than come out in individual parts.

Mr. FULTON. And that is the reason you have worked out this set-up of having a unified decision on that with all of the agencies involved?

Mr. NELSON. That is right, sir.

Mr. FULTON. Which may very well give us the greatest possible efficiency and yet it would be a mistake on our part to assume that there was any error in the program because individual parts of the program had to be curtailed.

Mr. NELSON. That is right, sir, because you will find as we go along, it is going to be necessary to curtail parts of the program and let something else go ahead. For example, at the present time, four-engine bombers are more important than any other type of aircraft. They can fly away under their own power. Until we can build up our engine production to take that additional production which the frame plants have found they can produce, something will have to stand aside. A plant that was built to produce 50 four-engine bombers a month now finds, having learned how to do the job better, having learned how to handle the labor, to simplify the number of operations, reduce the number of man-hours, that they can build many more than the 50. I don't know what the limit of one of those may be, but it becomes necessary for us to bring all the other parts into synchronization with that increased production, and when we haven't got everything to supply all of them, we may have to hold back one while we let another go ahead.

One type of plane today may be more important than any other for strategic, tactical reasons. That is set up by the Army and the Navy. They must determine from a strategy standpoint what they want. We will never take any part in that except when a conflict occurs between the three services, the Army or Navy or the Maritime, somebody has to be the umpire as to which one goes forward at the expense of the other.

Mr. FULTON. But until the State, War, and Navy Departments inform you pretty much what they want and where they are going to act, and how, you are in something of a quandary as to exactly which of the several competing defense weapons shall be effective in a go-ahead schedule for exceedingly scarce material?

Mr. NELSON. Yes, sir; but the great importance of this document is that we know at all times now—we do know—what the program is

and what their plans are, and they are discussed well in advance, so that we are at all times informed today.

Mr. FULTON. Then I was thinking, in this statement you are going to give us, you probably would give some attention to the reasons why something like plate steel, which it appears now by hindsight was so obviously important, was so long delayed in the construction of new steel facilities.

Mr. NELSON. Yes, sir; I will be glad to do that.

Mr. FULTON. Because it raises again the question of dollar-a-year men, and we do know that many steel men were taking the position not so very long ago that there couldn't be a steel shortage.

Mr. NELSON. Well, may we discuss that when I give you the whole report? You are getting now into a long discussion as to whether that was the fault of the steel men or Army or Navy men, or all kinds or types of men, or Congress, or the ability of any of us to see what the extent of this program was going to be. I mean, there are a lot of factors that enter into that.

Mr. FULTON. I just wanted to suggest the problem.

Mr. NELSON. Could you or anybody have anticipated a year ago that Japan was going to attack Pearl Harbor? Those things are questions you have to consider. It is not some one person's fault. It is a set of circumstances, and I shall be very glad to discuss the whole phase of it with you, show you what has been done, whether it was done, and why it hadn't been done before, and all about it.

Mr. FULTON. I just wanted to indicate the problem. Steel is only one of 8 or 10 similar ones.

Mr. NELSON. That is right, sir.

The CHAIRMAN. Thank you, Mr. Nelson. We will expect you to come back at a day to be set within the next 2 or 3 weeks, and finish this discussion.<sup>1</sup>

Mr. NELSON. We will proceed with all expedition, and if you will just tell Mr. Locke the things that you want to be sure are covered in that, we will be glad to see that they are covered.

The CHAIRMAN. And we will give you all the time you need. If you want to make it a month instead of 2 or 3 weeks, that will be entirely satisfactory to the committee.

Mr. NELSON. And may I ask whether our liaison is satisfactory to you.

The CHAIRMAN. Entirely satisfactory.

The committee will recess until 10:30 tomorrow morning when we will hear a case of lobbying.

(Whereupon, at 12:23 p. m., the committee recessed until 10:30 a. m., Wednesday, April 22, 1942.)

<sup>1</sup> See infra, pp. 5227-5247, for further testimony of Donald M. Nelson.

# INVESTIGATION OF NATIONAL DEFENSE PROGRAM

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WEDNESDAY, APRIL 22, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE INVESTIGATING  
THE NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:35 a. m., pursuant to adjournment on Tuesday, April 21, 1942, in Room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), James M. Mead, Joseph H. Ball, and Ralph O. Brewster.

Present also: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Alley, will you be sworn, please? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in the testimony you are about to give before this committee, so help you God?

Mr. ALLEY. I do.

The CHAIRMAN. Mr. Alley, will you be seated there in the chair and give your full name and connections to the reporter for the benefit of the record?

## TESTIMONY OF RAYFORD W. ALLEY, ATTORNEY, NEW YORK, N. Y.<sup>1</sup>

### NEGOTIATIONS OF RAYFORD W. ALLEY WITH ENGINEERS' GROUP, INC.

Mr. ALLEY. Rayford W. Alley. I am a lawyer, 30 Broad Street, New York City. I have been a member of the bar for 25 years in New York.

Mr. FULTON. Mr. Alley, would you just tell us in your own words the nature of the transactions that you have had with Engineers' Group, Inc., or with James Fuller, starting with the first meeting with the first individual and going through chronologically to the present time?

Mr. ALLEY. I have represented a man by the name of Simmons for over 20 years. In fact, he was my first client. Mr. Simmons had negotiations about an aluminum deal. Mr. George Eichelberger, a lawyer in New York, rented a room in my suite in May 1941. Mr. Eichelberger knew about this aluminum deal. He and Tom Simmons and I came to Washington toward the latter part of June or early part of July, where we had some negotiations about this deal. I went on back to New York, but Mr. Simmons and Mr. Eichelberger remained in Washington. A few days later, Mr. Eichelberger intro-

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<sup>1</sup> In connection with Mr. Alley's testimony see also his letter, dated May 11, 1942, which appears in the appendix on p. 5404.

duced Mr. Fuller to Mr. Simmons. Mr. Simmons, within a day or two, telephoned me and asked me what I knew about Mr. Fuller and the Engineers' Group.

Mr. FULTON. Now, with respect to Mr. Fuller, you have since learned recently of his criminal record and past associations?

Mr. ALLEY. I only learned that, I think it was in February, from Donald Wakefield Smith.

The CHAIRMAN. Who is Donald Wakefield Smith?

Mr. ALLEY. He was the treasurer of this company during the months, I think, of January and February.

Mr. FULTON. That is Engineers' Group?

Mr. ALLEY. Yes.

Mr. FULTON. And he is the former Labor Board man, I presume.

Mr. ALLEY. I understand he is. I asked Mr. Simmons who was in the group, and he told me that Mr. Robert Thach was counsel. I told him that I had known Bob Thach for over 20 years; we had been to college together, and that he was an honorable and able man.

Mr. FULTON. He is an attorney of very high reputation?

Mr. ALLEY. Yes. Mr. Simmons then asked me to meet him in New York Saturday morning about the 8th or 10th of July, and there I met Mr. Fuller for the first time. My testimony the other day was incorrect, having met him in Washington. I met him at the Sherry-Netherland Hotel.

Mr. FULTON. Who introduced him?

Mr. ALLEY. Mr. Simmons and Mr. Eichelberger, who was present. We continued the negotiations in New York, Mr. Simmons and I, on the aluminum deal for several days and then adjourned to Washington, and an agreement was signed on the 17th day of July 1941. That afternoon I called on Mr. Thach at his office and asked him whether this group which had been mentioned by Mr. Fuller was a genuine group, whether they could qualify to enter a syndicate which might involve anywhere from a million to two and a half million dollars, and he said he thought they could. I asked him about Engineers' Group. He told me that he was counsel, that Governor Curley was president, that a man whom he did not know but whom he had heard about by reputation, Mr. Everett Hurt, was treasurer, and that these men whose names had been mentioned to form this syndicate were responsible men. He told me that he had not met them up to that time.

Thereupon, we continued serious negotiations with Mr. Thach and Mr. Fuller respecting this aluminum deal over a period of 6 weeks. Proposals and counterproposals were made, but the deal failed along about September 1, primarily, in my opinion, because of the tax situation, the question of purchasing stock or purchasing assets. We had made a careful check on the names of the members of the syndicate and found that they were worth many times the amount of their participation, and the deal did not fail, in my opinion, because these men did not qualify. There were negotiations later about a revision of the deal, and, in fact, negotiations are still going on, but naturally not with that syndicate that Mr. Fuller provided.

About the middle of July, Mr. Fuller spoke to me about the housing shortage in Washington and said that he had some good contracts to give out to contractors. I introduced him to Mr. Haskel of the firm of Schweers & Smith in New York. Mr. Haskel and



Mr. Smith came to Washington and spent 10 days or so with Mr. Fuller and entered into a contract.

Mr. FULTON. Did you tell Mr. Haskel anything about Engineers' Group or those connected with it?

Mr. ALLEY. I told him to make his own investigation. I didn't know the kind of business they were doing as contractor, but I told him that they had a very fine lawyer and that I thought that any company with which Mr. Thach was connected would be all right.

During our negotiations on the aluminum deal, I insisted upon meeting some of the proposed syndicate members. I was introduced to Mr. Henry Holt as a director of Engineers' Group and a member of this syndicate, and we discussed it for a few moments at the Mayflower Hotel.

Mr. FULTON. Who was he?

Mr. ALLEY. He was reported to me to be vice president and director of the Bohm Aluminum & Brass Co. of Detroit, Mich.

Mr. FULTON. And he was introduced to you as director of Engineers' Group?

Mr. ALLEY. Yes.

On September 4, 1941, Mr. Fuller brought Governor Curley to my office in New York and he was introduced to me as president of Engineers' Group. We discussed the proposed aluminum deal and Governor Curley expressed the opinion that this syndicate could perform if we could make a satisfactory deal on the other side.

Mr. FULTON. Was Governor Curley a member of the syndicate?

Mr. ALLEY. Yes.

Mr. FULTON. What was to be his interest in the syndicate?

Mr. ALLEY. As I recall it, as I told you this morning, I didn't bring down my Kalunite file. I didn't know it was going to be on that, but I think there were to be five members of the syndicate, with a total underwriting of a million dollars. I don't know what their participation between themselves was.

Mr. FULTON. Was Mr. Fuller present at that conference?

Mr. ALLEY. Mr. Fuller brought Governor Curley to my office in New York on September 4. Later I saw the Governor a couple of times at the Mayflower Hotel and he asked me how we were getting along and just passed the time of day. Those are the only times I saw the Governor.

Mr. FULTON. Did you ever have any talk with the Governor about Mr. Fuller?

Mr. ALLEY. No.

Mr. FULTON. Did he say anything about any prior acquaintance with Mr. Fuller?

Mr. ALLEY. No.

Mr. FULTON. Do you know how he met Mr. Fuller?

Mr. ALLEY. I do not.

Mr. FULTON. When you saw the Governor in the Mayflower Hotel, was that a room of his or of someone else's?

Mr. ALLEY. I saw him in the lobby and in the dining room on two different occasions.

Along about September 22—make that September 18—my clients, Mr. Haskel and Mr. Smith, were lunching with me in New York. Another contractor by the name of La Rocca came to see me and was sent over to the restaurant. He came in and met Mr. Haskel and

Mr. Smith. Mr. Haskel and Mr. Smith were enthusiastic about their contracts which they had obtained through Engineers' Group in Alexandria, Va. Mr. La Rocca complained to me because he has been a client of mine for 20 years, that I hadn't told him about the possibility of getting contracts in Washington.

Mr. FULTON. Are these defense housing contracts?

Mr. ALLEY. Yes.

Mr. FULTON. That is private contracts insured through the F. H. A.?

Mr. ALLEY. Yes.

So he discussed the matter with Mr. Haskel and Mr. Smith, and someone said that Mr. Fuller would be in New York tomorrow, and an appointment was made for Mr. La Rocca to see Mr. Fuller. A few days later Mr. La Rocca asked me to be present to represent him at a conference at the office of Mr. William Walsh, an attorney, at 295 Madison Avenue. Mr. La Rocca had interested another contracting firm headed by his brother, which firm was represented by Mr. Walsh. The discussion was held about these contracts. I think Mr. Fuller was present, or had been present in the meeting prior to the time I got there. They asked me what I knew about Engineers' Group and Mr. Fuller, and I told them. I said that "This is a business matter for you all which I don't know about, and I think I should make some investigation before we go further." I thereupon asked for a check through a bank in New York, and the report that came back was not particularly good. It was neither good nor bad.

Mr. FULTON. Before you asked that, did you say anything about knowing any of the associates in this Engineers' Group and about anything that they had told you?

Mr. ALLEY. Yes. I told them that I had known Mr. Fuller there for 6 weeks, that he had produced a syndicate of responsible men for another deal. I told them about my acquaintance with Mr. Thach and my high regard for him.

Mr. FULTON. Did you tell them what Mr. Thach had told you about his connection with the company?

Mr. ALLEY. Yes.

Mr. FULTON. What was that?

Mr. ALLEY. I told them that Mr. Thach was a director, secretary, stockholder, and counsel.

Mr. FULTON. That he had told you that?

Mr. ALLEY. No; I don't think he had; I think Mr. Fuller had told me.

Mr. FULTON. Didn't you tell me in New York that he told you that?

Mr. ALLEY. That was later.

Mr. FULTON. I see. He told you that at a later time.

Mr. ALLEY. He told me that at a later date. So when I got this bank report, I telephoned Mr. Thach and asked him about it, and he said that he understood that Mr. Simmons had been informed by Fuller that he was a director and secretary, but that he was not a director. He said, "I will be interested in finding out wherein the bank report is not good." So I sent him a telegram copy of which I have. Shall I put it in the record?

Mr. FULTON. Yes. You mean your telegram of September 22, 1941?

Mr. ALLEY. Yes.

The CHAIRMAN. Yes; put it in the record. Read it into the record.

Mr. ALLEY. Telegram dated September 22, 1941.

Mr. ROBERT G. THACH,  
Woodward Building, Washington, D. C.

Fuller insists sums paid over Engineers Group upon their agreement refund if contracts not satisfactory. Told Fuller I would deposit money in escrow in his bank. This not satisfactory to Fuller. Cannot advise my clients put up money without knowing full responsibility Engineers Group. Confidentially their bank check through bank not good. Fuller told me you were counsel, secretary, stockholder, and director. My clients want to do business. Following my talk with you Friday my clients placed me in funds proceed to Washington today. Will come down anyway tomorrow. Frank Eichelberger in Washington.

(Signed) RAYFORD W. ALLEY.

(The telegram referred to was marked "Exhibit No. 500" and appears in full text above.)

Mr. FULTON. Now, first with respect to this money, why would you be putting up some money with Engineers' Group, anyhow?

Mr. ALLEY. Mr. Fuller explained that in connection with what he called processing of these loans through the F. H. A., that the sponsoring corporation which Engineers' Group would arrange or in this case had arranged, would have to spend, I think it was, \$12 per house, perhaps, for the formal commitment; they would have to have a topographical map and certain engineers' surveys, and he said that they would spend far more than this advance, as a matter of fact.

Mr. FULTON. Let us understand. Your clients were contractors. They were interested in obtaining a contract to build a group of defense houses that would be privately built by a corporation organized to do it.

Mr. ALLEY. Yes.

Mr. FULTON. But which would be financed through the F. H. A.

Mr. ALLEY. The mortgage, yes.

Mr. FULTON. Now, the F. H. A. has authority to finance up to 90 percent of the true value of defense housing.

Mr. ALLEY. Yes.

Mr. FULTON. And in short, the proposition, as I understood it from you, was that the contractor would take a contract to build the houses for a certain sum of money.

Mr. ALLEY. Yes.

Mr. FULTON. Which would include a fee for profit for building.

Mr. ALLEY. Yes; I think that is right.

Mr. FULTON. And now this proposal was that a part of that fee or profit would be paid to this Engineers' Group.

Mr. ALLEY. Which in turn would be used to provide part of the money on the 10 percent equity.

Mr. FULTON. Yes; but let's take one step at a time. The money part of this profit to the contractor which the contractor purportedly anyhow was going to earn for building the houses would be turned over to the Engineers' Group. Now what was the Engineers' Group giving to the contractor for that profit?

Mr. ALLEY. In the first place, they were giving him a contract guaranteeing him a contract or they would refund the money.

Mr. FULTON. In other words—let's take that—they were guaranteeing that this little sponsored corporation that was to be organized for the purpose of building the houses and obtaining the F. H. A. loan—

Mr. ALLEY. Yes.

Mr. FULTON. Would give a contract to the contractor to build the houses at that stipulated figure with that amount of profit involved to the contractor.

Mr. ALLEY. Yes; well, the profit wasn't definite, but these contractors knew their business, and they knew what this type of house could be built for.

Mr. FULTON. Well, then, the Engineers' Group were receiving part of the contractors' profit.

Mr. ALLEY. Yes.

Mr. FULTON. In return for seeing to it that the contractor got the contract from the sponsoring corporation.

Mr. ALLEY. And doing all the detail work in connection with processing it through the F. H. A., getting the permits, getting the bank to take the mortgage, and arranging the building loan.

Mr. FULTON. In other words, the Engineers' Group was to see to it that it was taken up in such a manner with the F. H. A. that the F. H. A. would guarantee the mortgage up to the amount that was in mind.

Mr. ALLEY. Yes.

Mr. FULTON. And the sponsoring group itself, the sponsoring corporation, was a corporation organized as a vehicle to build the subdivision, in effect.

Mr. ALLEY. Yes.

Mr. FULTON. What assets, if any, did the Engineers' Group put into that sponsoring corporation?

Mr. ALLEY. I don't know. It was represented to us on each of these contracts that the sponsoring corporation already owned the land and therefore there was no risk in putting up this deposit because the land was worth much more than the deposit.

Mr. FULTON. The deposit wasn't even being made with the sponsoring corporation, but was with the Engineers' Group?

Mr. ALLEY. The first contract we had was with the sponsoring corporation.

Mr. FULTON. And without Engineers' Group even agreeing to it?

Mr. ALLEY. No.

Mr. FULTON. Well, then, unless you looked into the fact to find out whether the sponsoring corporation in fact had any assets at all in putting up your money you were taking a substantial risk.

Mr. ALLEY. Well, we didn't think so because of the other checks that I made, which I will come to, on Engineers' Group.

Mr. FULTON. Well, now, your check, however—I am just developing the reason you were interested in checking Engineers' Group and the connection of the various persons said to be associated with them—was that you were putting up cash which you wouldn't get back if that turned out to be, say, irresponsible or an otherwise bad outfit. And was that the reason you had in mind in telegraphing Mr. Thach for this information?

Mr. ALLEY. Yes; that was primarily the reason; whether they would be good to pay back the money if a satisfactory contract wasn't delivered within a stipulated time.

Mr. FULTON. In other words, you were putting up the money to get the contract, but if you didn't get the contract you were to get your money back.

Mr. ALLEY. That is right.



Mr. FULTON. And you wanted to know whether putting it up directly with Engineers' Group instead of in escrow in the bank would protect you.

Mr. ALLEY. Yes.

Mr. FULTON. Now, what reply did Mr. Thach send you with respect to that inquiry?

Mr. ALLEY. Reply dated September 23, 1941:

RAYFORD ALLEY,

*30 Broad Street, New York City.*

Your wire. I am surprised at information you received from bank and would be interested in learning in what respect is check not good. I am counsel stockholder. Fuller tells me he wants bid for Simmons. I was also secretary and director when my election to these offices was contemplated. However, I find I was never so elected because I had expressed preference not be an officer and director and at same time counsel. Am confident that Fuller and Engineers' Group, Inc., are in position to and will discharge any obligations they undertake, but of course the terms of this or any other engagement of their services is strictly up to Jim.

Mr. FULTON. Is that Jim Fuller?

Mr. ALLEY. Jim Fuller.

Suggest you phone him direct today as I do not wish to appear to attempt to interfere with this phase of his business although on account my personal friendship with you will naturally cooperate to fullest extent possible. Hope to see you later today. Regards.

ROBERT THACH.

(The telegram referred to was marked "Exhibit No. 501" and appears in full in the text above.)

Mr. FULTON. What was the next thing you did?

Mr. ALLEY. About that same day I received a wire from my client, Simmons, in which he relayed a telegram which he had received from Fuller, asking Simmons to become a director of Engineers' Group. That telegram gave a financial statement of Engineers' Group. Then I came to Washington.

Mr. FULTON. What did the Engineers' Group purport to have according to that telegram?

Mr. ALLEY. Net worth of about \$225,000, as I recall it. I haven't it before me. Cash, \$63,000; accounts receivable, \$75,000.

Mr. FULTON. In your subsequent investigations to date have you found that it ever had anything like those sums?

Mr. ALLEY. I found it never had anything except the money that it swindled these contractors out of.

Mr. FULTON. Will you proceed?

Mr. ALLEY. I came to Washington and showed this telegram to Mr. Fuller and he said, "That is right," and he showed me a Bradstreet's report. It was on Bradstreet's stationery, and I have seen lots of Bradstreet reports, and I took it to be a Bradstreet report.

Mr. FULTON. Was it?

Mr. ALLEY. Well, I have my doubts now, but I haven't been able to verify it.

Mr. FULTON. You don't have the report itself?

Mr. ALLEY. No. He didn't leave it with me. He took it back. And the Bradstreet report was substantially as he had reported the figures to Simmons. I saw a Bradstreet report a couple of weeks later, you will recall, Mr. Fulton, and I think Mr. Walsh gave it to me, which was substantially the one I saw except for the directors.

Well, that Bradstreet's report seemed pretty good to me, but still I wanted a little more information and I went around to the National Metropolitan Bank. I had been informed that they maintained an account there. I went into the bank and asked for an officer and I saw the man who sits on the right as you go in the door—I have forgotten his name. I asked him about it. He told me that the account was opened in May, that he had been introduced to them by a lawyer whom they had known for many, many years by the name of William Fitzgerald, I think, and I said, "Well, who are the officers?"

"Well, we have a list of officers and directors here. Governor Curley, president; Mr. Thach was reported as secretary; Mr. Everett Hurt is treasurer;" and the directors were substantially the same as the ones shown on that report. Do you want me to give the names of those directors?

Mr. FULTON. As far as you know them. But you are giving this as being what the bank told you that they understood the directors to be?

Mr. ALLEY. Yes. A man named Bivins from Virginia; a man named Holt from Detroit.

Mr. FULTON. Did you ever meet either of those gentlemen?

Mr. ALLEY. Only Mr. Holt. He was introduced to me as a director.

Mr. FULTON. Who was Mr. Bivins?

Mr. ALLEY. In papers that Mr. Fuller submitted to me he was described as the nominee of Mr. L. U. Noland, whom we had occasion to check in connection with the other deal and we found he was one of the wealthiest men in Virginia. The paper also stated that he was commonwealth attorney of the State of Virginia. I never talked with him.

The bank said that their account there had run in the middle four figures. I said, "Between five and six thousand dollars?"

He said, "Approximately." He said that they had met their checks; they had never had any bad checks; that they had not borrowed money.

I said, "What sort of financial check have you got on these men?" And I said, "Governor Curley, for example."

"Well," he said, "we tried to get a check on Governor Curley, but we couldn't." He says that is not unusual in the case of politicians. He said that they had kept their engagements, had not tried to borrow money, and that the account was in good standing.

I then went back to the hotel, and I said, "Fuller, I have just been to the bank and you only apparently have five or six thousand dollars."

"Well," he said, "you don't think we carry all our money in one bank, do you?"

I said, "Your statement shows over \$60,000."

He said, "We have accounts with the Pilgrim Trust Co. in Boston, and some bank in Providence, and another bank in Washington."

Well, my client, La Rocca, had arrived at the hotel and I reported all this to him. His associate, who was really putting up the money, had arrived with his lawyer, Mr. Walsh, and they sat around the hotel in my room all that day and went over the details. They were supposed to know the housing contract, supposed to know what the F. H. A. was giving; they checked and had an estimator with them.

They checked some subcontract bids on certain work such as excavation and foundation work, and they figured that they could make \$150, possibly \$250, a house. They were very anxious to take the contract. All the discussions up to that time were on the basis of one contract with the Cumberland Properties, Inc., in Maryland, which it was stated had been incorporated and of which Admiral Riggs was president and a man named Newcomb secretary and treasurer.

Mr. FULTON. This was what you were calling a few minutes ago the sponsoring corporation?

Mr. ALLEY. Yes; that was the sponsoring corporation.

Mr. FULTON. Organized actually to enter into a contract to build houses which would be insured by the F. H. A.?

Mr. ALLEY. Mr. Fuller explained that they owned the land there at Cumberland and that it cost \$20,000, and that it was no risk on this \$3,200 deposit.

Mr. FULTON. The \$3,200 was the portion of the profit of the contractor which the contractor was to deliver to Engineers' Group?

Mr. ALLEY. Yes.

Mr. FULTON. In exchange for its, in effect, contractual guaranty to get the contract for the contractor.

Mr. ALLEY. And those other things.

Senator BALL. It was the contract for how many houses?

Mr. ALLEY. I think I have the contract here; I don't remember. I think it was on the foundation and excavation work on maybe a couple of hundred houses. In general, Mr. Fuller explained that the engineering fees would run, depending on the job, from 20 to 30 percent of the contractor's profit. I think that is what you want to get at. Not only would the contractor put up this initial advance, but he would pay so much more out, and he would get more later on. Since these contractors were hungry, they were willing to give up 25 or 30 percent of their profit if they could get contracts and get to work.

Mr. FULTON. And were you joined in the evening by anyone connected with Engineers' Group?

Mr. ALLEY. Mr. Walsh was convinced that this was a good deal, not from a business standpoint, but that it was a safe deal to be made by his clients. I said, "Before we sign up, the only man I really know in this group in whom I have confidence is Mr. Thach, and I would like to see if we can't get Mr. Thach over here and have all of you talk to him." Mind you, there were four or five men, two contractors, and an estimator, and Bill Walsh. So I phoned Mr. Thach and he came over along about 4 o'clock and remained until about 8 or 8:30.

We were particularly disturbed about being able to get our money back, the responsibility of the Engineers' Group if this didn't go through. Mr. Thach again told me and told them that they would carry out their contracts. Mr. Thach disclaimed any particular knowledge of the details of this work, but he explained to me that other contracts had been made by Engineers' Group where for one reason or another performance couldn't be had. For example, there was an office building here in Washington where they couldn't get priorities, and the company had returned the money. He said there would be no risk in putting up the money.

Mr. Walsh pointed out to him that this financial statement showed a bank balance of over \$60,000, and Mr. Thach told him that he

thought that that was easily so, that they had been making a lot of money.

Mr. FULTON. You were talking to him as counsel and stockholder of the company, Engineers' Group?

Mr. ALLEY. As counsel and stockholder of the Engineers' Group. He came over there for that purpose.

I don't know who drew the contracts. They were presented by Fuller. I don't think Mr. Thach did. But the reason I wanted Mr. Thach there was for his moral backing that this deal would be all right.

Mr. FULTON. Did your clients put up the money?

Mr. ALLEY. My client signed the first contract and put up about \$3,200, and then during the day there had been some discussion about a Norfolk job which required another \$3,200, and clients were hungry for work and they wanted to take that contract. Be it stated for Mr. Fuller that Mr. Fuller said, "This is a new experience for you. This is the first time you have dealt with us. I don't think you ought to bite off more than you can chew." He said, "I think you ought to be satisfied with this one contract."

Then Fuller got me out of the room and I said, "I don't think these boys have the experience and backing to take on the two contracts."

Mr. FULTON. But ultimately—

Mr. ALLEY. Later they put up the money for the second contract against the advice of Mr. Walsh and myself.

Mr. FULTON. Ultimately, how much money was put up by your clients, or series of clients—that is, yours and Mr. Walsh's?

Mr. ALLEY. Well, there were four deals: Schweers & Smith, I think they are out \$2,700; Key West Corporation, which is the La Roccas, \$13,000, plus about \$2,000 of expenses in connection with the Detroit job which they laid out; Joseph Engineering, \$3,200; and then Anthony C. La Rocca, Inc., a note of \$3,200, which Mr. La Rocca got out when we discovered all this thing. Mr. La Rocca has the note back.

Mr. FULTON. A total of between twenty or thirty thousand dollars.

Mr. ALLEY. About \$21,000.

The CHAIRMAN. For which they got nothing.

Mr. ALLEY. Schweers & Smith, who were taken in like all of us, were very enthusiastic about the possibilities of this work, and I think if it hadn't been for Schweers & Smith's report in September and in October and in early November, none of this other money would have gone in; but Schweers & Smith carried on with Engineers' Group and when they discovered the true status they couldn't believe that the thing was the swindle that it was. They carried through to somebody with whom Engineers' Group was dealing in Alexandria Village, and they have a contract and are now building houses over there. I think they have a contract for 150 houses.

The CHAIRMAN. They are the only ones who got a contract out of the whole set-up?

Mr. ALLEY. Yes.

The CHAIRMAN. The rest of them got swindled?

Mr. ALLEY. Yes, sir.

Mr. FULTON. The negotiations depended for a considerable time on these contracts, did they not? I mean, when did you finally realize that it was impossible to get these contracts?



Mr. ALLEY. All these contracts provided that a satisfactory contract would be forthcoming in 3 weeks or 30 days or the money refunded. They were extended and extended down until around the first of February.

Mr. FULTON. In other words, the contract negotiations were extended until they broke off by reason of Fuller's leaving the country?

Mr. ALLEY. Not quite that.

Mr. FULTON. Are you aware of the time the committee started its investigation?

Mr. ALLEY. No.

The clients didn't want their money back because they had spent time and money, and what they wanted was the contract. Mr. Fuller would come to New York and explain that the delays in this were due to the delays in F. H. A. or some other governmental agency, and they believed him. But on December 9, 1941, I wrote Mr. Thach this letter [reading Exhibit No. 502]:

MY DEAR BOB: I am getting very much perturbed about the lack of performance on the part of Engineers' Group, Inc., in connection with certain tentative agreements which they entered into with several clients of this office. Most of these contracts you are familiar with, and I advised my clients to enter into them, relying upon you. In no case has a permanent contract been submitted, and in every case the time for such permanent contracts is overdue, to as much as six weeks, and one as much as three months. My clients are beginning seriously to question the good faith of Engineers' Group and its associates. I know that Jim is distributing himself all over the lot (meaning Fuller) and probably has entirely too much to do. I have seen no one—

Mr. FULTON (interposing). You mean by that that you had heard of some of his other negotiations, or what?

Mr. ALLEY. I called Mr. Thach on the telephone and he said that—"Jimmy is just working himself to death night and day, traveling in airplanes—" and he said—"He is on some big deal or other involving a Russian deal, I think—" and he said—"As soon as we get him back here I am sure he will go ahead with this" [continuing to read Exhibit No. 502]:

I have seen no one else in that group able to get results except him, but it just isn't right for you or for me or for that company to take deposits without performing the conditions on its part. Several of my clients have indicated their desire to withdraw from the business and recall their money. This has placed me in an embarrassing position and is likely to react against you and me. I have written Fuller today as per enclosed copy. I am writing you because it was on the strength of your association as a stockholder and counsel of Engineers' Group, Inc., that I advised my clients to enter these unusual contracts. I am very fond of Jimmy, and I have great respect for his ability.

This was December 9—

I feel that he has simply bit off more than he can chew, but that cannot be explained to clients who have been standing by for months anticipating that the work for which they contracted would go ahead in accordance with stipulations made by Engineers' Group, Inc. I am sorry I missed you in Washington last week. Kind regards.

(The letter referred to was marked "Exhibit No. 502" and appears in full in the text above.)

Mr. FULTON. Now, with respect to that first \$3,200 of your client's money that was put up with the Engineers' Group, did you receive a check in circumstances which rather surprised you?

Mr. ALLEY. I was coming to that. I did.

Mr. FULTON. Would you tell us about that and what was done about it?

Mr. ALLEY. Within 3 or 4 days—I think it was September 26 or 27—the contract was signed on the 22d—I received a check payable to me from Engineers' Group, Inc., for \$1,216.

Mr. FULTON. Was it accompanied by a letter?

Mr. ALLEY. No.

Mr. FULTON. Just a check in the mail?

Mr. ALLEY. Yes. I called Mr. Fuller on the telephone and said, "What's this for, and why the amount?"

I said, "I figure that is 20 percent of what my client put up last week."

He said, "Yes; it is." He said, "That check is to reimburse you and George Eichelberger for some of the expenses you went to in connection with the aluminum deal, out of which you haven't gotten anything."

"Well," I said, "that isn't up to you to pay us," as I represented Simmons.

Mr. FULTON. Especially as he had told you that he figured it out on the percentage of what your clients had put up.

Mr. ALLEY. Yes. I told him I didn't like that at all, and that I would take it up with my client. I said, "We wanted to put this money in escrow, and this may be a way to assure my client of getting back at least \$1,216 if this deal doesn't go through."

Mr. FULTON. You did tell your client and did put it up in escrow?

Mr. ALLEY. I called my client in and told him the circumstances, and called Mr. Eichelberger, because Mr. Eichelberger was to get half of it under Jimmy's telephone instructions. Eichelberger and I agreed with the client that we would put it in my trust account, where it still is.

Mr. FULTON. Neither you nor Mr. Eichelberger has ever taken any part of that money?

Mr. ALLEY. No. Our own money—lawyers. I suppose the committee knows, keep their moneys in their own account and have a special or trust account for clients' moneys. No check was received in connection with the Schweers & Smith deal, although they put up about \$6,000 and got back some of it. And then about a week after the second deal I received a check for \$940, which was treated in the same way. At that time Fuller said that he was going to make up a total of \$2,500 for me and Eichelberger, because we had lost a lot of money on the aluminum deal. So that I have in my trust account with my client's full knowledge, \$2,116.

Then, if I may come on down to how we discovered—

Mr. FULTON (interposing). First, with respect to this Joseph Engineering group, they put up \$3,200 in cash. I think you said.

Mr. ALLEY. Yes; when the Joseph Engineering deal was made, it called for a deposit of \$6,400, of which my client, Anthony La Rocca, Inc., was to put up \$3,200 and Mr. Joseph \$3,200.

Mr. FULTON. Mr. Joseph did put up \$3,200?

Mr. ALLEY. Mr. Joseph put up a check for \$3,200 and I put up a check for \$3,200, my personal check. Mr. La Rocca came to me with some certificated mortgages which were good, and I loaned him \$3,200, which I put up in the bank downstairs and gave my check to Engineers' Group.

Mr. FULTON. Did Mr. Fuller say anything to you when he discovered that it was your money and not La Rocca's that was in the possession of Engineers' Group?

Mr. ALLEY. Yes. Mr. Fuller said, "Why, Alley, we've been working together fine; I don't want you to put up your money here."

I said, "Well, La Rocca hasn't got it."

So he said, "I'll send back your check and have Anthony C. La Rocca, Inc., send down a note"; and new papers were drawn on that and that was done.

Mr. FULTON. The matters drifted on for some little time without either the money being paid back or the contracts being obtained, until finally Fuller left the country.

Mr. ALLEY.. Just a little before that, Mr. Fulton, if I may. On January 23—during all this time I was in almost constant touch with Mr. Thach and Mr. Fuller—no; not so much Mr. Thach, twice maybe, but Mr. Fuller and Mr. Donald Wakefield Smith and Mr. Underwood. Mr. Underwood and Mr. Smith had come in as officers, president and treasurer, respectively, on January 1, as we were notified in writing; so on January 23 I wrote Mr. Thach another letter:

DEAR BOB: Several of these contractors demanded their money back from Engineers' Group on account of failure of that group to perform. I told you about this on the telephone. Fuller wrote them that the money would be paid back this week, although their demand was made for repayment on the 15th. Nothing further has been heard from Mr. Fuller, and the Joseph Engineering Co. is., I am afraid, going to take some nasty action unless their money is returned promptly.

On January 23.

Now, as soon as Mr. Fuller got back he came to New York and made an appointment with Mr. Joseph and had me dictate a cancelation of the contract, which was signed, and Mr. Fuller authorized him to draw a draft on Engineers' Group at the bank here in Washington. The draft was drawn and payment was refused. Mr. Joseph then, on my advice, came right down here, and I told him I would come if he wanted me to, and saw Mr. Donald Wakefield Smith, stayed here a couple of days, and got a check of Engineers' Group, Inc., for \$3,200, signed by Donald Wakefield Smith, treasurer.

Mr. FULTON. What did he tell you concerning the deal?

Mr. ALLEY. Mr. Smith?

Mr. FULTON. Yes.

Mr. ALLEY. I never saw Mr. Smith until after the blow-up.

Mr. FULTON. I see.

Mr. ALLEY. Mr. Joseph went back to New York, put the check in his bank, and the check was protested. He called me. I said, "Well, I think you and I had better go right down there." We came down, he and I together. I went to the office; Mr. Fuller was out of town. I demanded the minute books, the account books, stock books. A young man named Davis, who was the bookkeeper, said he couldn't give them to me without Mr. Fuller's instructions. I told him to get him on the telephone, which he did, located him in Pittsburgh. Mr. Fuller told him to bring the books over to my hotel. Mr. Davis brought the books over there, and that day for the first time I learned that Mr. Fuller had had a long criminal record. Mr. Davis told me that Mr. Smith had had an F. B. I. report, and I was shocked. I found a terrible situation in respect to the books. The books were



badly kept. The accounts receivable had been carried which were not accounts receivable at all. None of this money had been kept in trust; it had been siphoned out, and I found that they had collected about \$60,000 and as far as I could tell had not performed a single contract. I immediately telephoned the rest of my group, clients, Mr. Walsh—he came down here and spent 10 days and further examined the books, and sought to employ the best law firm we could get in Washington. We tried to locate all the people we could. We couldn't get an appointment with Mr. Thach—he was busy—although we were here 10 days. Mr. Donald Wakefield Smith—

Mr. FULTON (interposing). Will you tell us the circumstances of that? You say you couldn't get an appointment with him although you were here 10 days.

Mr. ALLEY. Yes. Mr. Walsh was here all of 10 days and I was here the first 2 and the last 6.

Mr. FULTON. What kind of efforts did you make to contact him?

Mr. ALLEY. We telephoned him and he made several appointments, but his secretary would call back and cancel them. The last appointment we had, I think, was for Thursday or Friday afternoon, and it was for 3 o'clock, and the secretary telephoned that he had been suddenly called out of town and had to go to Ohio by plane, so Mr. Walsh and I decided that we would wait no longer. We went back to New York the next morning, but that evening we saw Mr. Thach in the Mayflower Hotel. The next morning we placed the matter in the hands of a law firm that had been highly recommended to us here.

Mr. Fuller came back while we were here and said that he was going to stay here and cooperate to clean this up. He was perfectly sure that there were plenty of assets here, and tried to explain, but after what I knew I wouldn't believe anything then.

He said, "If Mr. Haskell would come in here as president and La Rocca as treasurer this can all be cleaned up and everybody get their money." He said, "It is a shame to sacrifice all this."

When we went back to New York that night we found that Fuller had sent out telegrams to everybody that these men had been elected president and treasurer, respectively, which they had not. So then we went on back to New York.

Mr. FULTON. Now, going back for 1 minute to the time between the first contract with your clients and the second one, I believe you said that you told Mr. Fuller that you wanted to meet Governor Curley and that he brought him to your office.

Mr. ALLEY. No; I told Mr. Fuller that I wanted to meet Governor Curley and as many other members of the aluminum syndicate and as many other directors of Engineers' Group as I could, long before we had any contract with Engineers' Group. That was in August.

Mr. FULTON. Did you have any conversation with Governor Curley with respect to the nature of the job that was being done by Engineers' Group?

Mr. ALLEY. Only with respect to the aluminum deal. My conference with him was on September 4, and our first contract on housing was on September 22, I think.

Senator BALL. What did Mr. Thach tell you that night when you met him in the lobby of the Mayflower Hotel? That was the night you were leaving after spending 10 days here.



Mr. ALLEY. We left the next morning. He was sitting at the next table and we didn't speak to him. We felt pretty badly about it.

Senator BALL. I see. You just saw him and didn't talk to him.

Mr. ALLEY. That is right.

Mr. FULTON. That is all I have.

Senator BALL. I would like to get straight in my mind just what your clients thought they would get. As I understand, this Engineers' Group—did they have any engineering staff?

Mr. ALLEY. We were told they did; yes.

Senator BALL. You never saw it?

Mr. ALLEY. No. If you would let Mr. Haskell of Schweers & Smith testify, who stayed down here and worked with them, and he is in town today, because he has a contract down here, he knows all about it. They did have, as I understand, architects. They had one of the most distinguished architects, Mr. Mills, whose name was on all the plans they had. I had known Mr. Mills. That was one of the factors that made me believe this was genuine. He was a member of the firm of Pennington, Lewis & Mills, who built the Federal Building in New York.

Senator BALL. Were these various firms, Schweers & Smith, Key West corporation, and so on, building complete housing units or doing just part of it, taking subcontracts?

Mr. ALLEY. No; they were building complete units. They would take a contract to build a house for a flat price.

Senator BALL. I see. Well, then, they were dealing with Engineers' Group, but they were to get their contracts from Cumberland Properties, Inc.?

Mr. ALLEY. No; they were building complete units. They would take a contract to build a house for a flat price.

Senator BALL. Well, then, they were dealing with Engineers' Group, but they were to get their contracts from Cumberland Properties, Inc.?

Mr. ALLEY. Yes; and the E. G. Corporation was another one out in Alexandria, and different sponsoring companies.

Senator BALL. Did those companies have at the time these negotiations with your clients went on, actual contracts with some Federal agency down here to build defense housing?

Mr. ALLEY. No. This wasn't the kind of contract—this wasn't Government housing; this was private housing.

Senator BALL. Oh.

Mr. ALLEY. The only place the Government comes into this is that you go out to the F. H. A. to get an insured loan. Then it is up to you to go out and sell the mortgage, and all of that, which is quite a lot of detail Engineers' Group were to do. Mr. Fuller represented that they owned the land and that they had F. H. A. approval on locations on all these properties.

Senator BALL. So that it was a private promotion and no Government contracts.

Mr. ALLEY. That is right, no Government contracts.

Senator BALL. Except the insurance with F. H. A. was involved.

Mr. ALLEY. None of our relations had anything to do with the Government.

Mr. FULTON. I take it, Mr. Alley, it never occurred to you, or at least that wasn't one thing that you had anything to do with, to go into the business aspects of it. You were acting solely as a lawyer.

Mr. ALLEY. That is right.

Mr. FULTON. Now, the business aspect, however, might involve this, that if the price of the contract is high and if the F. H. A. accepts that price as the cost of the house, high by reason of the profit to Engineers' Group, for which nothing was furnished, then in addition, if you buy farm land at farm prices, or approaching farm prices, and value it by lots, the F. H. A. might be putting up under the guise of 90 percent actually more than a hundred percent of the total amount invested in it.

Mr. ALLEY. Yes.

Mr. FULTON. And in fact it would have to, would it not, unless Engineers' Group or the sponsoring corporation actually did have financial assets with which to pay a 10-percent equity.

Mr. ALLEY. Yes; but it was explained to us in these sponsoring corporations that the stock was sold. It wasn't all provided by Engineers' Group.

Mr. FULTON. But unless someone was really putting up 10 percent in money, it was the type of thing which might very well have involved, under the guise of a 90-percent insurance, something well over a hundred percent.

Mr. ALLEY. Yes; but I understand the F. H. A. in figuring the 90 percent loans—this is general knowledge—give certain benefit to contractors' fees, architects' fees, and give a value to those things which sometimes is not paid out in money and are allowed to be used as part of the 10 percent equity; for instance, a 6 percent architect's fee where the architect might use a standard set of plans. I have heard of it.

Mr. FULTON. And in fairness to those involved in this group, it isn't altogether unheard of in real estate circles generally, for what you might call shoestring subdivisions to be very liberally financed under a 90 percent insurance.

Mr. ALLEY. I think you would have to have it if we are to get any defense housing.

Mr. FULTON. Mr. Straus particularly criticized some phases of this defense housing for that very reason. He said many of the agencies, subdivision operators, were really getting more than a hundred percent; but in any event you personally had nothing whatever to do with the business aspects of that, as I understand.

Mr. ALLEY. No; and I will be glad to produce any of these men who knew about that.

I would like to have it distinctly understood that these contracts I have been describing this morning and also the aluminum business had nothing whatsoever to do with the Government. These were purely private deals.

Mr. FULTON. Now, the aluminum business.

Mr. ALLEY. Of course, the Government had a lot to do with that, but not our contract.

Mr. FULTON. No; not your contract, but had you acquired the company you would have been acquiring a company which would be building a plant with Defense Plant Corporation funds.

Mr. ALLEY. Yes.

The CHAIRMAN. That is all, Mr. Alley.

Mr. Curley, will you be sworn, please? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in the testi-

mony you are about to give before this committee, so help you God?

Mr. CURLEY. I do.

The CHAIRMAN. Will you be seated, Governor, and give your name and connections to the reporter. Just a moment, Governor, before you start. Mr. Alley, one more question, please.

Mr. FULTON. Mr. Alley, referring to the discussion we had in New York, do you recall having any conversation with Governor Curley concerning this F. H. A. or real estate matter?

Mr. ALLEY. I don't think so.

Mr. FULTON. Well, didn't you tell me in New York (and I am quoting): "Later I saw Governor Curley several times at the Mayflower Hotel in Washington, and he asked me how we were getting along? I told him the Engineers' Group had asked for postponement of the contract and that my clients had given an extension. He said that that was all because of the delays in F. H. A."

Mr. ALLEY. Yes; that is true.

Mr. FULTON. Is that a true statement?

Mr. ALLEY. That is a true statement, in the lobby of the Mayflower Hotel.

Mr. FULTON. Thank you.

The CHAIRMAN. That is all, Mr. Alley. Governor Curley, give your full name and connections, please.

### TESTIMONY OF JAMES M. CURLEY, BOSTON, MASS.

#### CONNECTION OF JAMES M. CURLEY WITH ENGINEERS' GROUP, INC.

Mr. CURLEY. James M. Curley, business address, 24 School Street, Boston, Mass. Business, real estate and insurance.

Mr. FULTON. Governor Curley, yesterday there was dictated in my office and in your presence a summary of the facts as you understand them in this situation, which I believe has been signed by you and which I would like to introduce in the record.

Mr. CURLEY. I have a copy right here. There is just one change in it, on page 3; substitute the name Mr. Haskel for Mr. Hurt.

The CHAIRMAN. Mr. Haskel? That is substituted in the original here. And there is a change also above that in which it is Major Shinkel, and it should be General Shinkel instead of Major Shinkel.

Mr. CURLEY. That is right.

The CHAIRMAN. This statement will be made a part of the record, then.

(The statement referred to was marked "Exhibit No. 503" and is included in the appendix on p. 5353.)

Mr. FULTON. Governor Curley, will you tell us generally the situation as you understand it with respect to your participation in Engineers' Group as president or in any other capacity that you later occupied?

Mr. CURLEY. I think it is pretty well contained in that statement that you have a copy of there. If it is agreeable with you, I would just as soon read that.

The CHAIRMAN. Proceed, Governor, and read it.

Mr. CURLEY. My mind is a little bit hazy on it. I first met Mr. Fuller in July or August in 1941. Prior to that time I had never seen or heard of Mr. Fuller, and that particular meeting occurred



in the Hotel Mayflower where Mr. Fitzgerald introduced Mr. Fuller to me. At that time Mr. Fitzgerald did not intimate nor at any time that Mr. Fuller had just been released from jail. Fuller at that time told me that he was organizing a group which planned to obtain control of the Kalunite deposits in Utah, and have a process for extracting the Kalunite. He told me that a number of prominent men were to be with him, and he put it entirely on a patriotic basis, saying that at the time there was an aluminum shortage and that Kalunite would be the answer to that shortage. I believe he said that the principal source of raw material for the manufacture of aluminum was bauxite, which came from West Africa, and the sinking of ships, of course, caused a shortage.

I agreed to lend my name to that transaction. He agreed then at all times afterward considered that he had just loaned my name to the syndicate for entirely patriotic motives. At no time was there offered or discussed or expected to receive any profits out of the Kalunite transactions. I understood that I was to be nominally president of the Engineers Group, Inc., a group formed for the purpose of obtaining control of Kalunite. However, at no time was any action taken by me as president of that group, although I did understand it would use my name as president.

At no time did I put any money into the group, nor did I ever take any money out of it, or receive any of its funds. At no time did I discuss any business of the group except Kalunite. I had nothing to do with any of the business transacted by the group, and until November 1941 did not even know that Engineers Group, Inc., had any other business than the syndicate to acquire Kalunite.

Around November 1941 I heard a conversation in the office of the Engineers Group, Inc., that indicated that they were doing some engineering work. However, I did not ask any questions about it, and learned no more about it at the time. After hearing this conversation I inquired and learned that the Engineers Group was offering engineering services to persons who were seeking Federal contracts.

Obtaining that information, I submitted my resignation. The resignation was submitted sometime in December 1941. I have no records pertaining to any transactions with Fuller or the Engineers Group, Inc., other than the resignation. I stated that in the entire period during which I was connected with the group, only 6 to 12 letters passed between me and the group or Fuller with reference to the business. All of these letters dealt with the Kalunite transaction and there was no correspondence with connection to any other subject.

At the time of my resignation I shortly thereafter destroyed all letters. I had a list of the officers and proposed members of the Kalunite syndicate. I originally obtained this list from the office of the Engineers Group, Inc. This list is at home, and together with a copy of my resignation from the Engineers Group, which copy I mailed to the committee at the request of Mr. Parks.<sup>1</sup>

This comprises all the documents of any nature which I possess, referring to or concerning James Fuller or Engineers Group, Inc.

Conversations respecting Kalunite were had with Fuller, George Eichelberger, and Robert Thach. I did not have conversations with any other person concerning Kalunite, and I might say in this connection I don't recall ever having met the previous witness who testi-

<sup>1</sup> Franklin N. Parks, committee investigator.



fied here. I don't think he intended to be dishonest; he probably made an error.

At no time did I have any conversation or dealing with any public official or official of the R. F. C. concerning Kalunite.

I might say in this connection that I never interceded with any public official in Washington or any departmental official with reference to Kalunite or anything else in which the Engineers Group might have been interested.

Another factor in influencing my resignation as president of the Engineers Group, Inc., was the discovery that no progress had been made on the Kalunite transaction. I met Donald Smith, Everett Hurt, Robert Thach, A. L. Bivins, Henry Holt, Clarence Brown, George Eichelberger, Major Shinkel or General Shinkel, and Major Hawkins. Fuller told me that all of these were associated with him in the Kalunite deal. In most instances, the statement was made by Fuller in the presence of the men themselves. I particularly recall that it was the case of Mr. Thach and of Mr. Brown. I am not sure as to Mr. Smith and not sure as to Mr. Hurt.

I took Mr. Fuller stock certificates on a brewery in which I have an interest—I have \$65,000 invested in the Eldridge Brewery, in New Hampshire—and discussed with Mr. Fuller the question of securing a loan on that of twenty-five or thirty thousand dollars. He held it for several weeks. I called on him one day and told him I could use \$2,500 if he could get it off the man who was going to get the loan on the brewery stock. He sent me a check signed by Mr. Haskell; he gave me a check for \$3,500, signed by Mr. Haskell and joint by him, as an advance on the loan on the brewery stock. But the check was cashed in Boston, and then it was discovered that there were insufficient funds. He later sent another check and there were still insufficient funds. I went to Washington. I wrote for stock. I believe he sent me about 200 shares of the 650 that I had given him. Then I journeyed to Washington and got the balance of 650 shares and paid the obligation with a check myself. There was never any discussion by me of any loan on the stock to Fuller other than to put it as a loan through Mr. Haskell, or the turning over of the proceeds of any such loan by me to Mr. Fuller.

I think that sums up my connection with the deal. The only thing is that I feel that even any member of this committee might have been deceived by the background and character and the standing of the men that he claimed were associated with him, and apparently were associated with him. If you haven't any objection, I would just as soon read them:

Clarence A. Brown was on the advisory board. He is president of the Eisman Magneto Co. of New York.

George Eichelberger, chairman of the executive committee of Trans-Lux Corporation, theaters; director of the American Tobacco Co. and director of the General Cigar Corporation.

Frank Eichelberger, president of Kalumite, Inc., of Salt Lake City, Utah; director of engineering for Olin Corporation, of Alton, Ill.; president of Callahan Lead & Zinc Co.; director of Sun Shine Gold & Lead Co., of Tennessee.

T. W. Simmons, of Los Angeles, president of Bolsa Chica Petroleum Corporation, of Los Angeles; director of Air Accessories Corporation, Los Angeles; chairman of the board of the San Anita race track, California.

General Shinkel, retired, former head of Picatinny Arsenal, N. J.

Major Hawkins, chief ordnance engineer; vice president of the International Arms & Fuse Co., of New York; and chief adviser to the Amtorg.

Colonel W. A. Anderson, Washington, D. C., chief adviser of the Maritime Commission.

Donald Wakefield Smith, attorney for the National Labor Relations Board.

C. D. Cook, vice president, Richmond, Va., Reynolds Metal Corporation, and chairman of the Federal Control Board of the R. F. C.

The Engineers Group, Inc.: Treasurer and director, Everett R. Hurt, Americana Corporation, publishers of the Britannica.

Robert G. Thatch, Washington, D. C., counsel, Willys-Overland, General Electric, and Pan American Airways.

A. L. Bivins, four times elected attorney general of the State of Virginia, and still serving.

Henry W. Holt, Detroit, Mich., vice president of Bohn Aluminum & Brass Co.; the Wilson Foundry, Pontiac, Mich.

So that when I was deceived, there was quite a respectable group deceived with me in the case of Mr. Fuller.

Mr. FULTON. Have you seen the Federal Bureau of Investigation's report on Mr. Fuller?

Mr. CURLEY. No; I have not.

All I can say is that it is unfortunate I didn't see that before I saw Mr. Fuller.

The CHAIRMAN. We will make that a part of the record so that everybody will know about it after this and so that there will be nobody else deceived by Mr. Fuller.

Mr. CURLEY. There seem to be no minor charges there.

Mr. FULTON. I think there are some.

Mr. CURLEY. He was pretty busy.

Mr. FULTON. There is everything from grand larceny to forgery, false pretenses, intoxication, disorderly conduct, conspiracy to commit forgery, confidence games, false pretenses, and then numerous minor offenses.

Mr. CURLEY. I want to say this for him. I think he was one of the most interesting and best informed men that I have ever met. He could discuss any subject, from chemistry to art, and discuss them intelligently and fully.

(The document was received and marked "Exhibit No. 504" and is included in the appendix on p. 5355.)

Mr. FULTON. Now, with respect to the man who introduced him to you, I take it that you had confidence in that gentleman?

Mr. CURLEY. I knew him in Boston many years ago.

Mr. FULTON. That was Mr. Marshall James Fitzgerald?

Mr. CURLEY. J. Marshall Fitzgerald, I believe, is the proper name.

Mr. FULTON. When he introduced Fuller to you, what did he tell you about Fuller?

Mr. CURLEY. As I recall it—and my memory may not be altogether clear on it—he said: "There is a gentleman here by the name of James Fuller who has assembled a group of the most influential and outstanding men of the country for the development of a Kalunite property in Utah, and I believe that you ought to become associated with him."

I think that is about the substance of it. We sat down and discussed it with Mr. Fuller. He gave me an outline of many of these names here. Of course, some of them came in later.

Mr. FULTON. Did Mr. Fitzgerald tell you that he had received a letter from Mr. Fuller on jail stationery?

Mr. CURLEY. No; he did not.

Mr. FULTON. Have you ever seen this letter?

Mr. CURLEY. No; I never have.

Mr. FULTON. Did he tell you that he had any knowledge whatever of Mr. Fuller's activities during the several months preceding the time that you saw him?

Mr. CURLEY. No; he did not.

Mr. FULTON. During which time Mr. Fuller, according to the F. B. I. report, was in a Washington jail?

Mr. CURLEY. I didn't quite get that.

Mr. FULTON. Will you take a look at the F. B. I. report on the second page, I believe, near the bottom, at the lower right-hand corner? I think it gives you the dates of a jail sentence which Mr. Fuller was serving during the early part of 1941.

Mr. CURLEY. 1940?

Mr. FULTON. Forty-one.

Mr. CURLEY. No; 1940 on page 2, sir.

Mr. FULTON. It says 720 days there, I think. May I have that, and perhaps I can find it more easily.

Mr. CURLEY. I am trying to find it here. No; it is 1940.

Mr. FULTON (reading from Exhibit No. 504):

District of Columbia Jail. Washington, D. C. False pretenses. February 11, 1941, 720 days or \$500 fine, fine paid and subject released to United States marshal for detainer from Cook County, Ill., June 18, 1941.

On the date of March 24 this letter was sent to Mr. Fitzgerald, and Mr. Fuller was in jail. Mr. Fitzgerald never told you of that?

Mr. CURLEY. No.

Mr. FULTON. Have you ever had any previous connection with Mr. Fuller at all?

Mr. CURLEY. I never met him prior to that time.

Mr. FULTON. You never so much as heard his name?

Mr. CURLEY. Never; no.

Mr. FULTON. In this letter to Mr. Fitzgerald, quoting, Mr. Fuller says [reading from Exhibit No. 505]:

The years during which you—

Meaning Fitzgerald—

knew of me as being something of a human dynamo, working for the chief throughout the Bay State, at Chicago and beyond, not too largely overshadowed by the genius of Big Jim, the years of my minor and major accomplishments seem about to be consummated in a great patriotic accomplishment for which I still have high hopes.

Sometime shortly after July 1, 1941, I anticipated the return from abroad of a friend of long standing, tried and capable and untiring, who has consented to lend himself to the perfection of the plan I was about to launch when the launching was so forcibly delayed last December.

You can appreciate what he meant by "forcibly" [continuing]:

To this end, and because I have developed and perfected a safety valve for that, too, I should be deeply beholden to you if you will find the time to seek me out, since it is obvious that I may not seek you out at the present time, to the end that I may lay certain matters before you, offering you a part in what

I am sure you will readily admit to be the acme of human endeavor, considering the age and the trend and the course of human events.

You will find no trouble in visiting me here at any time you elect to call inasmuch as I am in a good position involving confidence and trust.

(The letter referred to was marked "Exhibit No. 505" and is included in the appendix on p. 5356.)

Mr. CURLEY. He had a sense of humor, didn't he, as well as an inquisitive nature?

Mr. FULTON. Have you had occasion to trust Mr. Fitzgerald in the past?

Mr. CURLEY. I have; yes.

Mr. FULTON. How do you explain his knowing of these situations without calling them to your attention?

Mr. CURLEY. I can't explain it, sir.

Mr. FULTON. Have you ever asked him to do so?

Mr. CURLEY. I wasn't aware of it until today—of these particular offenses. I might say that I met Mr. Donald Wakefield Smith last evening. He told me that Mr. Fuller had served a term in the Atlanta Penitentiary before he started the Kalunite movement. I wasn't aware of that until yesterday.

(Senator James M. Mead, of New York, took the chair.)

Mr. FULTON. Did Mr. Fitzgerald at that time have authority to represent you?

Mr. CURLEY. He never had authority to represent me, but I think he did quite frequently without authority, as he did about everybody else that he contacted, also.

Mr. FULTON. Now, with respect to Mr. Alley's testimony, I take it that you—

Mr. CURLEY (interposing). I do not recall ever having seen Mr. Alley in my life.

Mr. FULTON. And with respect to this real estate deal, you had no connection with it and never heard of it?

Mr. CURLEY. The only thing I was interested in was Kalunite, and when I saw they weren't getting anywhere on that and were just living in hope of being able, perhaps, to induce the Federal Government to put in sufficient money to carry it through for them, I tendered my resignation.

Mr. FULTON. Did you ever have anything to do with the La Rocca housing?

Mr. CURLEY. No, sir; I did not.

Mr. FULTON. You never heard of that?

Mr. CURLEY. I think I have heard of it. I had nothing to do with it.

Mr. FULTON. From whom did you hear of it?

Mr. CURLEY. I think it was from Mr. David Desmond, of Massachusetts, that I heard of it.

Mr. FULTON. And what was his connection with it?

Mr. CURLEY. I think I met Mr. La Rocca and his son also—both father and son.

Mr. FULTON. Did they ever discuss with you any housing deal that they were going into with Fuller?

Mr. CURLEY. No; they discussed with me, I think some time after I got out, some time in January, as to how they might get some money out that they had invested with Fuller.

Mr. FULTON. Did you in any way assist them in getting it back?



Mr. CURLEY. I suggested to them to go to the court, which I believe they did—to the district attorney of that county—Worcester County.

Mr. FULTON. Did you know Mr. Everett Hurt?

Mr. CURLEY. I met Mr. Everett Hurt in Mr. Fuller's office.

Mr. FULTON. And he was the treasurer of Engineers Group?

Mr. CURLEY. Treasurer. But I believe Mr. Fuller was the entire company all the time. I think everybody else was just simply nominally figureheads.

Mr. FULTON. That is what they all told us.

Mr. CURLEY. Window dressing, so to speak; yes.

Mr. FULTON. With respect to Everett Hurt though, we have found a memorandum from him to Mr. Fuller, reading:

The bank teller had me see the cashier. That bird asked me not to draw against uncollected funds. He called attention to the La Rocca check, that it was made payable to himself, and that this was only check No. 16. Can't see that that is any of his business. Will call if possible, but presume all you need is a close. If possible, have the Governor hold these two checks until Thursday.

(The memorandum referred to was marked "Exhibit No. 506" and is included in the appendix on p. 5357.)

Mr. FULTON. What did you have to do with checks?

Mr. CURLEY. What is the date of that?

Mr. FULTON. 10/14/41, but that is a date that was not on the original memorandum and which may not be the accurate one. It is put on in pencil.

Mr. CURLEY. All I can recall with reference to La Rocca was that they wrote me or saw me—I think they saw me—with reference to getting their money back, and I believe I wrote to Mr. Fuller and told him he had better get the money back to them, that it didn't look right to me.

Mr. FULTON. And the checks were sent back through you.

Mr. CURLEY. No, no. No checks were sent to me for them.

Mr. FULTON. What does this mean? "If possible, have the Governor hold these two checks until Thursday."

Mr. CURLEY. I should say that perhaps that might mean that I would get hold of Mr. La Rocca, or his brother, and ask them to hold up putting the checks in until that date. I had nothing further to do with it. I didn't do anything with it.

Mr. FULTON. And they did. The La Rocca Co. and the Bishop Co.—the two that you mentioned that Mr. Desmond had taken up with you—got their money back, did they not?

Mr. CURLEY. I don't know whether they did or not. I assume they did. Otherwise he would be in jail on that count.

Mr. FULTON. I see. Did you, as president of the company, ask what these housing deals were that Fuller was having with Desmond and his clients?

Mr. CURLEY. No; I did not.

Mr. FULTON. Well, as president, didn't you understand that under the law it is your duty to manage the affairs of the company?

Mr. CURLEY. I should say that I am, but I think everybody understood their duty was to allow Fuller to run the job. He seemed to know more about it than anybody else.

Mr. FULTON. You knew that a corporation officer would assume that duty, but in this case you delegated it to Mr. Fuller?

Mr. CURLEY. I was very lax, but I think everybody was very lax. They had confidence in him.

Mr. FULTON. Now with respect to the Kalunite deal itself, was Mr. Alley correct in stating that you were to be a member or a participant in the syndicate which was to acquire that company?

Mr. CURLEY. I should say that they might have put it in that way. I don't recall.

Mr. FULTON. Did you propose to put any funds into the acquisition of that company?

Mr. CURLEY. I did not.

Mr. FULTON. Mr. Alley is incorrect in asserting that you were to be a member of the syndicate?

Mr. CURLEY. Well, I should assume that I was to be a member of it. I was president of the company. But so far as getting any revenue was concerned, I had no desire or intention. It put me on patriotic motives entirely.

Mr. FULTON. What patriotic motive would be involved in your acquiring the company, as distinct from Olin Corporation which already owned the company?

Mr. CURLEY. His contention, as I recall it, was that they had owned it for a number of years, perhaps 20 or more years, and were never inclined to develop it, and he proposed, with the associates in this group that I mentioned here, to take it over with the Olins, and to develop the company and give the Government the benefit of that Kalunite, which he contended could produce aluminum for less cost than it was being produced by the Aluminum Co. of America.

Mr. FULTON. But just what were you to contribute to all this?

Mr. CURLEY. Simply my name.

Mr. FULTON. In what way?

Mr. CURLEY. As a member of the corporation.

Mr. FULTON. Was it proposed to issue any stock or anything based on that name, for how else could the name be of any use?

Mr. CURLEY. Well, I should assume that it would be the natural thing to do, but it never got to that stage, because they never got anywhere with the Kalunite.

Mr. FULTON. Because the Olins determined not to sell.

Mr. CURLEY. I don't know whether that was the reason or not. I think the Olins wanted some money, and they didn't have any money. That is about it. Just conversation.

Mr. FULTON. But you at no time discussed or expected to receive any profit whatever from that syndicate?

Mr. CURLEY. No, sir; I did not.

Mr. FULTON. No matter how much it might make?

Mr. CURLEY. No, sir; I did not.

Mr. FULTON. And you understood that the others were in it for the purpose of profit, did you not?

Mr. CURLEY. I have learned since that they not only were in it for profit, but that they were taking certain sums out of the corporation which was organized right along, as fees—legal fees and otherwise.

Mr. FULTON. And who were they who were taking these sums out?

Mr. CURLEY. I think Mr. Smith told me yesterday that Mr. Fitzgerald and the attorney, Mr. Thach, were taking money out, and the

gentleman who testified just before me had received payments. My understanding is that General Shinkel was hired as an expert, and he received money—and Major Hawkins—although I find it rather hard to believe, because they are very, very high-class gentlemen, both of them Army men with a high sense of honor.

Mr. FULTON. And any such payments were made without your knowledge or approval?

Mr. CURLEY. Without my knowledge and approval.

Mr. FULTON. As a matter of fact, the moneys that came into the company were brought into the company without your knowledge or approval?

Mr. CURLEY. Absolutely. It was just a one-man company. Mr. Fuller ran the company.

Mr. FULTON. How did Mr. Desmond become associated with this group? Did you introduce him?

Mr. CURLEY. No; I think Mr. Desmond came over himself.

Mr. FULTON. How did he first learn about Fuller?

Mr. CURLEY. I don't really know that.

Mr. FULTON. But you know you did not introduce him?

Mr. CURLEY. I am quite sure I did not.

Mr. FULTON. When you say that you did not have anything to do with that syndicate as a member of it, and did not intend to subscribe, have you in mind this telegram which you sent to Mr. Fuller?

Mr. CURLEY. I believe that is the telegram that Mr. Fuller sent to me and asked me to sign it and send it on.

Mr. FULTON. This telegram from you to Mr. Fuller says:

Received partial outline syndicate corporation agreement conditions. I will be a member of the syndicate corporation and will serve also as officer and director of the Kalunite Corporation provided my subscription agreement with the syndicate corporation and the syndicate corporation agreement with Kalunite and the formal agreement between buyers and sellers of Kalunite are approved by me and my attorneys, and will meet with other syndicate members' date and place convenient to all.

(The telegram referred to was marked "Exhibit No. 507" and is included in the appendix on p. 5357.)

Mr. FULTON. Does that refresh your recollection that you did intend to participate?

Mr. CURLEY. No; it does not. I would say that that is simply a telegram probably similar to the ones he sent to other members of the corporation and asked them to sign and send on to him so that he might carry on his intentions to take over the Olin properties.

Mr. FULTON. In other words, he sent you a telegram, asking you to send it to him?

Mr. CURLEY. That is right.

Mr. FULTON. And you did?

Mr. CURLEY. I did.

Mr. FULTON. Expecting him to show it to other people?

Mr. CURLEY. Exactly.

Mr. FULTON. To show your connection with it?

Mr. CURLEY. Exactly.

Mr. FULTON. But the connection that was to be set forth in the telegram was not the true connection in that you really didn't have any such position in it and didn't intend to?

Mr. CURLEY. That is true.

Senator BALL. Do you expect us to believe that, Governor—that you would sign a telegram making statements that were to be used to prospective buyers of something, concerning your name, and you knew the statements were false but you went ahead and did it?

Mr. CURLEY. I wouldn't say that the statements were false.

Senator BALL. You told us you didn't intend to put up anything in the syndicate.

Mr. CURLEY. That is true; I didn't.

Senator BALL. That definitely gives the impression that you are going to subscribe some capital.

Mr. CURLEY. I should say that perhaps it might have been carelessness on my part in sending it along that way, which I shouldn't have done, but it came along and I sent it, assuming the man was all right, having faith in him and confidence in him.

Mr. FULTON. Wouldn't this lend itself to a possible fraud on others by making them think you were interested in what you knew you weren't interested in?

Mr. CURLEY. I rather believe it would, reading it now; yes.

Mr. FULTON. Why would you give such a telegram to such a man without knowing what his use might be?

Mr. CURLEY. Well, I confess, frankly, I don't know why I should.

Mr. FULTON. Did Mr. Fitzgerald ever tell you that he went so far as to try to interest the committee in assisting in this matter?

Mr. CURLEY. A committee?

Mr. FULTON. This committee.

Mr. CURLEY. In what matters?

Mr. FULTON. Did he ever tell you that he had telegraphed us with respect to the Kalunite, saying that the Governor and he were seriously interested in this project?

Mr. CURLEY. No, sir; he did not.

Mr. FULTON. It was the sending of that telegram to one of the officials of the committee which started, in turn, the train of events to look into this.

Mr. CURLEY. No, sir; I was never aware of that being done. I think he—Mr. Fitzgerald—and Mr. Fuller have been placed in a very nice position.

Mr. FULTON. Did you authorize him to send that kind of telegram?

Mr. CURLEY. Of course not.

Mr. FULTON. In Engineers Group generally, you said you acted as president, but you were not familiar with any of the transactions?

Mr. CURLEY. Not familiar with anything but the Kalunite. That was the only thing I was interested in.

Mr. FULTON. And I believe that in your statement, which you read to the committee, you said that until November 1941, you did not even know that the Engineers Group had any other business than the syndicate to acquire Kalunite.

Mr. CURLEY. That is right.

Mr. FULTON. But you did know about this Desmond affair?

Mr. CURLEY. That is right. Yes; I did. I don't know what time that was.

Mr. FULTON. In connection with this statement of November, you must have learned that it did have some other business. What did you learn in November?



Mr. CURLEY. I learned that they were offering to do engineering work for various building contractors, rendering engineering services for a consideration.

Mr. FULTON. And that they were also offering engineering services—and I am quoting from your statement——

Mr. CURLEY (interposing). Yes, sir.

Mr. FULTON. "To persons who were seeking Federal contracts." From whom did you learn that?

Mr. CURLEY. I say I heard Mr. Fuller discuss that one day in the office when I was there.

Mr. FULTON. What did he say?

Mr. CURLEY. He said they were going to get certain moneys from the F. H. A. for housing construction.

Mr. FULTON. Did he talk about any other things, such as priorities, bids on Government contracts, purchases of fuel injectors, and various other things?

Mr. CURLEY. I think while one of these men was here, he did discuss fuel injectors. I mean the Eisman Magneto man, Mr. Brown.

Mr. FULTON. What was Engineers Group to do in that connection?

Mr. CURLEY. I believe, sir, they were to get contracts for them for fuel injectors.

Mr. FULTON. Navy contracts?

Mr. CURLEY. I suppose so; yes, sir.

Mr. FULTON. Did he ever refer to any connections he had in the Navy?

Mr. CURLEY. I think, as I recall it, I did hear him say that he could get those contracts without any trouble at all.

Mr. FULTON. Did he mention from whom?

Mr. CURLEY. No; he did not.

Mr. FULTON. And was it that which aroused your suspicion of the company?

Mr. CURLEY. I was satisfied it wasn't right after listening to those conversations.

Mr. FULTON. I didn't understand.

Mr. CURLEY. I was satisfied it wasn't right after listening to those conversations, and decided to get out, and got out.

Mr. FULTON. And that, as stated in your statement, occurred in November 1941?

Mr. CURLEY. Yes, sir.

Mr. FULTON. When did you actually get out?

Mr. CURLEY. I tendered my resignation some time in December, but I don't believe I met him or anybody connected with him during the interim.

Mr. FULTON. Did you ever attend any directors' or stockholders' meetings?

Mr. CURLEY. I think I attended one meeting, where I drifted in and out, over in New York on Seventeenth Street. I think there were two or three present.

Mr. FULTON. And what was the business which was conducted at that meeting?

Mr. CURLEY. They discussed Kalunite, the prospects of building a property, and the use of it; and also one somewhere in Seattle. I couldn't see where they were getting anywhere.

Mr. FULTON. Did you take any corporate action of any kind after you discovered in November that he purported to have influence with the Navy?

Mr. CURLEY. Any action? No; I did not.

Mr. FULTON. I show you photostat of minutes of a meeting of December 15, 1941, purporting to bear your signature and ask you if you recognize the signature.

(Senator Truman resumed the chair.)

Mr. CURLEY. I would say the signature is all right, sir.

(The document referred to was marked "Exhibit No. 508" and is included in the appendix on p. 5358.)

Mr. FULTON. Then as late as December 15 you were acting as a director of the company?

Mr. CURLEY. Yes, sir.

Mr. FULTON. In connection with the transaction that was rendered necessary by reason of Everett Hurt's resignation as treasurer and the desire to get a new treasurer—Donald Wakefield Smith?

Mr. CURLEY. That is right, sir.

Mr. FULTON. Why did you continue to participate in this company a month after you say you discovered that they were trying, in effect, to place contracts for persons interested in contracts with the Navy?

Mr. CURLEY. I suppose it was pure carelessness. That is all.

Mr. FULTON. No other reason?

Mr. CURLEY. I don't know any other reason.

Mr. FULTON. You were taking affirmative action here in assisting putting a new treasurer in?

Mr. CURLEY. Yes, sir.

Mr. FULTON. Had you talked with that new treasurer about the business of the company?

Mr. CURLEY. I had not.

Mr. FULTON. Had you talked with the old treasurer about why he was resigning?

Mr. CURLEY. No; I did not.

Mr. FULTON. You yourself were in the process of considering your resignation, anyhow.

Mr. CURLEY. I had been considering my own for a month—over a month.

Mr. FULTON. And that seemed good to you.

Mr. CURLEY. Exactly.

Mr. FULTON. But you were not interested in asking the treasurer why he, likewise, would have reasons for resigning?

Mr. CURLEY. No; I did not. I don't even know now what his reasons were for resigning.

Mr. FULTON. But you would lend yourself to the institution of a new treasurer?

Mr. CURLEY. Apparently I did.

Mr. FULTON. Did you talk with Mr. Thach about that matter at that time?

Mr. CURLEY. No; I don't think I did.

Mr. FULTON. Had you ever talked with Mr. Thach about the business of the company?

Mr. CURLEY. I believe I did talk with him about the Kalunite, and I was very strongly of the belief that they were going to be able to

develop a deposit which was supposed to be located there. I don't know whether it is or not.

Mr. FULTON. And had Mr. Thach told you what his connection was with the company?

Mr. CURLEY. Mr. Thach seemed to be one of the guiding spirits of the company.

Mr. FULTON. He told you that?

Mr. CURLEY. I wouldn't say that he had any occasion to tell me that.

Mr. FULTON. How was he introduced to you, and by whom?

Mr. CURLEY. He was introduced by Mr. Fuller and Bob Thach, one of the big men interested in the company, and so forth.

Mr. FULTON. Without referring to a position as counsel or secretary or director or stockholder?

Mr. CURLEY. He was the attorney; I think he said he was the attorney for the company.

Mr. FULTON. Was that done in Mr. Thach's presence?

Mr. CURLEY. Yes, sir.

Mr. FULTON. Was there any reference to a stock interest?

Mr. CURLEY. Not that I know of.

Mr. FULTON. Or a director's interest?

Mr. CURLEY. No, sir.

Mr. FULTON. Now, I understood you to say in connection with this Fuller transaction about the brewery stock that that was to be a loan to you on the security of the stock.

Mr. CURLEY. That is right, but not from him; from some bank that this gentleman here was interested in—I have forgotten his name.

Mr. FULTON. But definitely it was not to be a loan to Mr. Fuller?

Mr. CURLEY. Oh, no.

Mr. FULTON. On your stock as security for his loan?

Mr. CURLEY. Simply somebody connected with some other banking institution that might make a loan on that stock. He said, "Why Mr. Haskell will do that for you; be glad to."

Mr. FULTON. Did you have any correspondence with Mr. Everett Hurt?

Mr. CURLEY. Not that I recall.

Mr. FULTON. Well, did Mr. Everett Hurt ever inform you that Mr. Fuller was trying to borrow money from him on the security of your stock?

Mr. CURLEY. No; he did not.

Mr. FULTON. And did you ever write a letter to Mr. Hurt telling him that if he loaned the money to Mr. Fuller on the security of your stock that you would repay the money?

Mr. CURLEY. Oh, no; I don't think so. I just asked Mr. Fuller to place that in some bank with which he was friendly and he told me, I believe, Mr. Haskell was the name of the secretary told me last night—he made out the check.

The CHAIRMAN. The committee will recess until 2 o'clock when it will continue with the testimony of Governor Curley.

(Whereupon, at 12:25 p. m. the committee recessed until 2 p. m. of the same day.)

## AFTERNOON SESSION

The hearing was resumed at 2 p. m., Senator Truman presiding. The CHAIRMAN. The committee will come to order.

Mr. FULTON. Mr. Hurt?

The CHAIRMAN. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in the testimony you are about to give before this committee, so help you God?

Mr. HURT. I do.

**TESTIMONY OF EVERETT R. HURT, GAITHERSBURG, MD.****CONNECTION OF EVERETT R. HURT WITH ENGINEERS' GROUP, INC.**

The CHAIRMAN. Give your full name and connections to the reporter.

Mr. HURT. Everett R. Hurt, route 2, Gaithersburg, Md.

Mr. FULTON. Mr. Hurt, did you hear the testimony of Governor Curley at the close of this morning's session?

Mr. HURT. Yes, sir.

Mr. FULTON. With respect to the loan transaction?

Mr. HURT. Yes, sir.

Mr. FULTON. Was that testimony true as you knew it?

Mr. HURT. Not as I know it; no, sir.

Mr. FULTON. Will you tell us the facts as you know them?

Mr. HURT. The facts as I know them are Mr. Fuller came to see me with some Eldridge Brewing Co. stock, asking me would it be possible for me to get the bank to loan \$6,000 on this stock and he would give me a personal note, payable in 90 days, with the privilege of one renewal for another 90 days, and a couple of days later I had a letter from Mr. Curley stating that he would guarantee the payment of this loan or any part of it in the event it was not paid at the date of final expiration.

Mr. FULTON. Is this the note in question?

Mr. HURT. Yes, sir; that is the note Mr. Fuller gave me.

Mr. FULTON. Well, Mr. Fuller was giving you stock which were stock certificates of Governor Curley's?

Mr. HURT. Yes, sir.

Mr. FULTON. Asking you to take Fuller's note and the stock as security for Fuller's note?

Mr. HURT. And give Fuller the money.

Mr. FULTON. And you say you received a letter from Governor Curley?

Mr. HURT. Yes, sir.

Mr. FULTON. Did you ever receive a request to return that letter?

Mr. HURT. Not from Governor Curley, but from Mr. Fuller.

Mr. FULTON. And did you return the letter?

Mr. HURT. Yes, sir; registered.

Mr. FULTON. How did you receive the letter from Governor Curley?

Mr. HURT. Straight mail.

Mr. FULTON. From Boston?

Mr. HURT. From Boston, Mass.

Mr. FULTON. And before you returned it, did you make a copy of it?

Mr. HURT. Yes, sir.

Mr. FULTON. Is this the copy of it?



Mr. HURT. Yes, sir.

Mr. FULTON. Would you personally know whether that was Governor Curley's signature on it?

Mr. HURT. No, sir.

Mr. FULTON. And you didn't make a photostatic copy of the signature?

Mr. HURT. No, sir.

Mr. FULTON. For all you know it may have been a forged signature of Governor Curley's?

Mr. HURT. May have been; yes, sir.

Mr. FULTON. But this letter simply says:

Mr. Fuller has informed me that he has asked you to loan him for 3 months, with the privilege of renewal for a like period, \$6,000 on certificate No. 141 of the Eldridge Brewing Co., a Maine corporation. I, the undersigned, agree to pay the said amount or portion unpaid of said amount of loan at the expiration of the renewed note on surrender of said certificate No. 141 to me in the event Mr. Fuller defaults all or any part of said loan.

(The letter referred to was marked "Exhibit No. 509" and is included in the appendix on p. 5359.)

Mr. FULTON. Did you, however, write a letter to Governor Curley by registered mail?

Mr. HURT. Yes, sir.

Mr. FULTON. And is this other copy a copy of that letter?

Mr. HURT. Yes, sir, I just saw it; that is it.

Mr. FULTON. And is this registered mail receipt the one you got back?

Mr. HURT. Yes, sir.

Mr. FULTON. As being receipt for that. And in that letter to Governor Curley you specifically stated, did you not [reading]:

I am sorry I was unable to favor Mr. Fuller.

Mr. HURT. Yes.

Mr. FULTON (continuing):

But I am returning herewith stock certificate 141 covering 100 shares of Eldridge Brewing Co., Inc., of \$100 each.

(The letter referred to was marked "Exhibit No. 510" and is included in the appendix on p. 5359.)

Mr. HURT. Yes, sir.

Mr. FULTON. Now you were treasurer of this company; were you not?

Mr. HURT. Yes, sir.

Mr. FULTON. And you resigned when?

Mr. HURT. In the early part of December.

Mr. FULTON. And why did you resign?

Mr. HURT. Well, when I went in as treasurer it was understood I would be relieved immediately and I had been wanting to resign for quite a period of time and I just simply quit.

Mr. FULTON. I believe you told me that you met Fuller in response to an advertisement that you put in the paper in Atlanta, Ga.?

Mr. HURT. Atlanta, Ga., January 1940; yes, sir.

Mr. FULTON. And at the time he sold encyclopedias?

Mr. HURT. About 7 months.

Mr. FULTON. Ordinary salesman?

Mr. HURT. Yes, sir.

Mr. FULTON. And you next heard of him when he was in jail in Washington?

Mr. HURT. No, sir; he was in Newport News, Va.; when he quit selling the encyclopedia he started this place in Virginia.

Mr. FULTON. You mean that housing project there?

Mr. HURT. Yes, sir.

Mr. FULTON. And then subsequently you found he was in jail?

Mr. HURT. Yes, sir.

Mr. FULTON. And you visited him in jail?

Mr. HURT. Yes, sir.

Mr. FULTON. Did you meet anyone else in jail at the time that Mr. Fuller was there?

Mr. HURT. You mean in jail or just down there?

Mr. FULTON. I mean just down there.

Mr. HURT. I met Captain Wilkinson and Mr. Phillips.

Mr. FULTON. But none of the others whose names have been mentioned?

Mr. HURT. No, sir.

Mr. FULTON. At any time?

Mr. HURT. No, sir.

Mr. FULTON. And did you assist Mr. Fuller to get out of jail?

Mr. HURT. I gave him money to repay what I was told was bum checks that he had issued and if he repaid these checks they would turn him loose.

Mr. FULTON. And how much did you advance?

Mr. HURT. A total of around \$1,600.

Mr. FULTON. With any security?

Mr. HURT. No, sir.

Mr. FULTON. With any evidence of indebtedness?

Mr. HURT. No, sir.

Mr. FULTON. In cash or by check?

Mr. HURT. Some of it was by check but that was sent to the people that he said these bad checks were, and the checks were made out to the people where he had these bad checks and the rest of it was in cash to Jim Fuller.

Mr. FULTON. Why did you advance so large a sum to a man whom you knew so casually, without any evidence of indebtedness or security?

Mr. HURT. I was just a fool, I guess; I don't know.

Mr. FULTON. You knew he was in jail?

Mr. HURT. I knew he was in jail, yes, sir; but that fellow had something; I don't know what it is; he got my money.

Mr. FULTON. Anyhow you permitted yourself to become treasurer of the company?

Mr. HURT. Yes, sir; he told me that having been in jail he couldn't open a bank account and if I would open it for him he would immediately have me replaced as treasurer.

Mr. FULTON. You opened a bank account in the name of Engineers Group?

Mr. HURT. Yes, sir.

Mr. FULTON. As treasurer?

Mr. HURT. Yes, sir.

Mr. FULTON. Although it has since turned out the company wasn't then organized?

Mr. HURT. That is right, sir.

Mr. FULTON. And as treasurer you drew numerous checks on the account?

Mr. HURT. Yes, sir.

Mr. FULTON. Of that bank?

Mr. HURT. Yes, sir.

Mr. FULTON. Did you know what the checks were for?

Mr. HURT. No, sir.

Senator BREWSTER. What is your business experience, Mr. Hurt?

Mr. HURT. It has been all in the book business.

Senator BREWSTER. In the book business?

Mr. HURT. Yes, sir.

Senator BREWSTER. In just what phase of the book business?

Mr. HURT. Sales manager, salesman, and also trying to run a company of my own at one time.

Senator BREWSTER. What concerns have you been connected with?

Mr. HURT. Quite a few, sir; I have been with the Americana, Grolier Society, Encyclopedia Britannica.

Senator BREWSTER. That was how you first became connected with Mr.——

Mr. HURT. Fuller; yes, sir.

Senator BREWSTER. In connection with that work.

The CHAIRMAN. That is all, Mr. Hurt.

Mr. HURT. Could I make one statement? It was stated on the stand this morning that I had met ex-Governor Curley. I have never before seen that man in my life until I was in this place this morning.

Mr. FULTON. Who made the statement?

Mr. HURT. Governor Curley.

Mr. FULTON. You never saw Governor Curley?

Mr. HURT. Never saw him before in my life until today.

Mr. FULTON. And never saw Mr. Alley?

Mr. HURT. Never saw Mr. Alley in my life until today.

Senator BREWSTER. When you went to the jail to see Mr. Fuller was he developing this possibility at that time?

Mr. HURT. No, sir.

Senator BREWSTER. There wasn't any discussion?

Mr. HURT. No, sir.

Senator BREWSTER. When did you first have a discussion about the company?

Mr. HURT. He told me—I met him in O'Donnell's just accidentally; he was in there and I walked in. He told me about all these influential people he was with and he was going to make a wonderful come-back and, great God, and so forth, was going to do this, that, and the other, and he was going to show his wife and his friends what kind of a man he could be, and so forth, and so on.

Senator BREWSTER. How long was that after the jail episode?

Mr. HURT. I imagine that was sometime in July, and I can't say whether it was or not, but I think it was.

Senator BREWSTER. And were both the Kalunite and housing projects discussed at any time with you?

Mr. HURT. The Kalunite, I heard him mention it one time, but as far as any discussion of it I knew nothing about it.

Senator BREWSTER. Your dealing was entirely with the Engineers Group, Inc.?

Mr. HURT. That is right, sir.

Senator BREWSTER. And they were interested primarily in housing?

Mr. HURT. What is that?

Senator BREWSTER. And they were interested primarily in housing?

Mr. HURT. As I understood it they were engineers and their work consisted entirely of supervising and doing the engineering work of projects.

Senator BREWSTER. Promoting.

Mr. HURT. Yes, sir.

Mr. FULTON. Of course, you had talked over the housing deal with Mr. Fuller before that?

Mr. HURT. Before that; yes, sir.

Mr. FULTON. Along similar lines to that you heard this morning?

Mr. HURT. I didn't do much talking over with him; I got a telegram from him and I didn't see him for weeks and weeks; in fact, I had only seen him once from the time that I participated in that deal, and I got my money back.

Mr. FULTON. But it was a deal whereby you were to put up some money which was to be returned unless certain contracts for housing should develop?

Mr. HURT. Yes, sir.

Mr. FULTON. Which didn't develop and you got your money back?

Mr. HURT. Yes, sir.

The CHAIRMAN. That is all, Mr. Hurt. Governor Curley.

#### TESTIMONY OF JAMES M. CURLEY, BOSTON, MASS.—Resumed

##### CONNECTION OF JAMES M. CURLEY WITH ENGINEERS' GROUP, INC.

Mr. FULTON. Could you clear up these points?

Mr. CURLEY. I had better clear up Mr. Hurt's matter first. I don't think I ever did meet him. Somebody was introduced as Mr. Hurt to me there; it must have been somebody else.

Mr. FULTON. You mean someone else was introduced to you as Mr. Hurt?

Mr. CURLEY. Yes.

Mr. FULTON. Did you ever send any letter to Mr. Hurt of which this purports to be a copy made by him before he returned it?

Mr. CURLEY. I should judge I must have, Mr. Chairman, though I had forgotten it.

Mr. FULTON. Does that refresh your recollection that the stock was being put up for a loan to Fuller, instead of to you?

Mr. CURLEY. No; it doesn't refresh my recollection on that. He was to place the stock—a loan on the stock through that party, whose name I mentioned this morning here. I gave a slip to the stenographer here. It was the original statement I made there, Mr. Haskell, one "1."

Mr. FULTON. Haskell, Schweers & Smith?

Mr. CURLEY. Yes, sir.

Mr. FULTON. Schweers & Smith were one of the contractors referred to by Mr. Alley as his client?

Mr. CURLEY. I heard that.

Mr. FULTON. Does that mean, then, you had met Mr. Haskell?

Mr. CURLEY. I never met Mr. Haskell.

<sup>1</sup> Supra, p. 5132, and Exhibit No. 509, appendix, p. 5359.



Mr. FULTON. Where had you heard about him?

Mr. CURLEY. Mr. Fuller said he would place that loan through Mr. Haskel, go to Mr. Haskel's bank on that Eldridge Brewing stock.

Mr. FULTON. And instead of that he heard later from him that he was dealing with Mr. Hurt?

Mr. CURLEY. I haven't any recollection of that at all, but the letter would indicate that I must have.

Mr. FULTON. You have no recollection of receiving this by registered mail, the return of your stock, because—

Mr. CURLEY (interposing). I do, I recall the stock being returned, 100 shares I believe it was, or 200; I don't know which; and later I went down and got the balance of it.

Mr. FULTON. And in that same connection the letter enclosing the stock, for which this is the receipt, referred to Mr. Hurt saying he was sorry he was unable to favor Mr. Fuller, so I mean you were apprised, were you not, that he was trying to borrow that—Fuller was trying to borrow money?

Mr. CURLEY. I think Fuller was trying to borrow on my stock. That is about the way I look at it; that is the only way I can see it.

Mr. FULTON. And had you told Mr. Hurt in the other letter you were willing to guarantee the payment of the note if he loaned it to Mr. Fuller, had you not?

Mr. CURLEY. I should judge I might have; it says so there; yes, sir.

Mr. FULTON. Now the difficulty is I could ask several times yesterday and again today as to whether you were positive that you had never even discussed or heard of any transaction of Fuller borrowing money on your stock.

Mr. CURLEY. I am positive on that subject, sir, that my instructions to him were he was to raise money on that stock through some friend of his associated with some bank for me, not for himself. He was to have no participation in it.

Mr. FULTON. He was to make his own note and you were to guarantee his note; isn't that the effect of this?

Mr. CURLEY. I suppose it would be; yes, sir.

Mr. FULTON. Then you were in effect trusting him not only with your stock but with the proceeds of the note on which you would be liable?

Mr. CURLEY. I was just as simple as anybody else in the transaction, I should say, "yes."

Mr. FULTON. What was he to do with the money, the \$6,000 that he was to raise that way on your security?

Mr. CURLEY. He was to turn it over to me if he raised it, I suppose.

Mr. FULTON. Why couldn't you raise that money directly yourself on your own note?

Mr. CURLEY. Well, the stock was not a listed stock; the brewery had been through 77-B, getting back on its feet; just out of the—there wasn't a bank that would venture on it in Massachusetts or New Hampshire, either.

Mr. FULTON. And so you were dealing through Mr. Fuller with him?

Mr. CURLEY. That is it.

Mr. FULTON. Now outside of that, did you ever have any personal dealing of any kind with Mr. Fuller?

Mr. CURLEY. No; I loaned him my car a couple of times when he came to Boston; took him to dinner and paid the check; those are about the only personal things I know.

Mr. FULTON. But you never had any other occasion to receive any money of any kind?

Mr. CURLEY. I never received any money from him in my life and don't know of anybody else that ever did, either.

The CHAIRMAN. He was the receiver, himself.

Mr. CURLEY. He was receiver general and took it all.

Mr. FULTON. Did you ever ask him for any money?

Mr. CURLEY. I did not, except to arrange to borrow that money I spoke of on securities.

Mr. FULTON. You are sure of that?

Mr. CURLEY. Yes, sir. I asked him for \$3,500 that time to get a loan on the stock.

Mr. FULTON. Is this your signature on this letter asking for \$2,000?

Mr. CURLEY. That was about the time of that stock, yes, sir; that is right.

Mr. FULTON. Did you get the \$2,000?

Mr. CURLEY. That was to be got out of the stock he was to raise the money on? I did not.

Mr. FULTON. Will you look at the letter?

Mr. CURLEY. He sent over a check for \$3,500 and the check bounced back twice.

Mr. FULTON. And will you look at the other letter and see if Fuller was not sending you his personal check for \$2,000?

Mr. CURLEY. He never paid that other, sir; he never paid it.

Mr. FULTON. But he did send you a check for \$2,000?

Mr. CURLEY. He sent a check, I believe, to this mine I was interested in at Winnemucca, or at least he said he sent a check, but he never sent the check.

Mr. FULTON. You asked him for it but he never sent it?

Mr. CURLEY. I asked him to send a check for \$2,000 and I would pay him later when I got back to Washington, but he never sent it, but he notified me he had sent it.

Mr. FULTON. And this is a transaction that had nothing to do with this brewing transaction?

Mr. CURLEY. Not at all.

Mr. FULTON. Did it escape your recollection when you answered a few minutes ago that you had no other transaction?

Mr. CURLEY. Just the same as the money escaped the group and Winnemucca.

Mr. FULTON. You say in your letter to Mr. Fuller on September 19, which you have identified:

DEAR FRIEND: I have wired the First National Bank at Winnemucca that check has been mailed to them. Kindly send your check for \$2,000 as agreed and reply.

And he replies the next day with a letter to the First National Bank at Winnemucca, Nev.:

I am enclosing herewith my check for \$2,000 as per instructions from the Honorable James M. Curley. I presume you have received instructions as to the disposition of these funds.

(The letters referred to were marked "Exhibits Nos. 511 and 512" and are included in the appendix on p. 5360.)

Mr. FULTON. Now, what was that transaction?

Mr. CURLEY. I owed some money to the Gould Co., of San Francisco, on mining machinery in the mine I was interested in in Winnemucca, and they notified me unless they got immediate payment of \$2,000 that they would remove the machinery. I asked him to; he said he would; said he did; but I guess it is one of the bouncing checks.

Mr. FULTON. Then I take it this Winnemucca was a private proposition of yours in which you owed money?

Mr. CURLEY. That is right.

Mr. FULTON. And you asked Fuller to pay \$2,000 on your indebtedness there?

Mr. CURLEY. Yes, sir; for which I would pay him back later. He notified me he had sent it, but the bank notified me they had never received it.

Mr. FULTON. Now, when you addressed Mr. Fuller, you addressed "James Fuller, Engineers Group." Did you expect the Engineers Group to put up that \$2,000?

Mr. CURLEY. I expected Mr. Fuller to do it, since I wrote to him, simply borrowing money or trying to borrow money.

Mr. FULTON. What reason did you have to suppose Mr. Fuller had any money?

Mr. CURLEY. Well, he never talked in amounts less than one million, usually one hundred million.

Mr. FULTON. What security did you propose to give him for the loan?

Mr. CURLEY. Wasn't going to give him any security; going to pay him back the next time I went to Washington.

Mr. FULTON. Did you enclose any note?

Mr. CURLEY. I did not, that I know of, no, sir; I didn't.

Mr. FULTON. From what source were you going to pay it back, if you didn't then have it to pay yourself?

Mr. CURLEY. Well, I do business once in a while and make some money.

Mr. FULTON. What source did you have in mind on the 19th of September?

Mr. CURLEY. I couldn't say any more then than I could on the 1st of July or just now.

Mr. FULTON. But you do know on the 19th of September 1941, you had a then expectancy within a few days of receiving \$2,000 from some source?

Mr. CURLEY. Surely.

Mr. FULTON. To pay back to Mr. Fuller?

Mr. CURLEY. That is right.

Mr. FULTON. Could you refresh your recollection and later inform us as to what that source was that you expected the \$2,000 from?

Mr. CURLEY. I suppose I might have sold some security I had or borrowed it off a friend or sold a bit of real estate.

Mr. FULTON. If you were going to borrow money from Fuller and you had to borrow money from somebody else to pay Fuller, why not borrow from the other person first?

Mr. CURLEY. I supposed Mr. Fuller would have it; he always talked in large figures.

Mr. FULTON. You did intend to pay him back?

Mr. CURLEY. Surely.

Mr. FULTON. Then you couldn't have intended to pay it back from another borrowing because you could just as easily make that other borrowing then, couldn't you?

Mr. CURLEY. I might have; it might not have been quite as easy as that.

Mr. FULTON. As a matter of fact, did you ever discuss with anybody this Winnemucca transaction?

Mr. CURLEY. I think I discussed it with Mr. Fuller.

Mr. FULTON. With anyone else?

Mr. CURLEY. You mean over here? I think I discussed it with George Eichelberger.

Mr. FULTON. And what was the nature of your discussion with George Eichelberger?

Mr. CURLEY. Trying to induce him to invest some money in it.

Mr. FULTON. And George Eichelberger was a New York attorney, I take it?

Mr. CURLEY. Yes, sir.

Mr. FULTON. Who introduced you to George Eichelberger?

Mr. CURLEY. I met him many years ago coming across from Europe.

Mr. FULTON. Did Fuller introduce you to him?

Mr. CURLEY. No, no; he didn't have to, but I met him with Fuller.

Mr. FULTON. You met him with George Eichelberger?

Mr. CURLEY. At the time the Kalunite was being discussed.

Mr. FULTON. Did Fuller bring Eichelberger to you or did you go to Eichelberger?

Mr. CURLEY. I was invited to attend a meeting at the Sherry-Netherland in New York, the two Eichelbergers were there, Frank and George. Had breakfast together and discussion.

Mr. FULTON. Was that the time Mr. Fitzgerald introduced Mr. Fuller to you?

Mr. CURLEY. No, no; Mr. Fitzgerald introduced him to me sometime in July or August, I believe it was July, probably.

Mr. FULTON. When he did introduce you to Mr. Fuller, Mr. Eichelberger was not present?

Mr. CURLEY. No, he was not; no.

Mr. FULTON. Nor was he present during that day at all?

Mr. CURLEY. No, sir.

Mr. FULTON. Now did you have any other transactions of any kind whatever with Mr. Fuller or which you referred to him?

Mr. CURLEY. I don't recall any, sir.

Mr. FULTON. You don't recall any at all?

Mr. CURLEY. No; I do not.

Mr. FULTON. Or any that anyone even discussed with you where he mentioned the name Fuller?

Mr. CURLEY. Well, I wouldn't say, sir; I don't really know.

Mr. FULTON. Do you know Mr. Morton H. Morganstern, of Watertown?

Mr. CURLEY. I do.

Mr. FULTON. Do you recall the transaction of 500,000 pairs of trench shoes?

Mr. CURLEY. I recall Mr. Morganstern asked me if I knew anybody that might dispose of those shoes for him.

Mr. FULTON. Those were shoes he was desirous of selling to some one of the South American countries that he couldn't sell to the



United States Government, that he had already sold the Greek Navy at \$1.44 a pair but the order was canceled after Germany entered Greece. Had several other similar propositions that some money could be made on if the right contacts were made. On your stationery with the initials L. W. C. and "A memorandum for the Governor." Who is L. W. C.?

Mr. CURLEY. My secretary, Lawrence Costello.

(The memorandum referred to was marked "Exhibit No. 513" and is included in the appendix on p. 5360.)

Mr. FULTON. Does that refresh your recollection you had such a transaction?

Mr. CURLEY. I recall this man Morganstern.

Mr. FULTON. What happened with respect to Mr. Morganstern?

Mr. CURLEY. Mr. Morganstern, as far as I could learn, didn't have any shoes; he was like Mr. Fuller, he didn't have any Kalunite.

Mr. FULTON. He had an option, did he not?

Mr. CURLEY. I don't think he had anything. Half a dozen persons wanted to buy the shoes and he never could produce them.

Mr. FULTON. With respect to those shoes, what steps did you take?

Mr. CURLEY. I think I may have given the note over to Mr. Fuller.

Mr. FULTON. Why didn't you mention that when we asked if you had any other transaction?

Mr. CURLEY. I didn't recall it; I can't recall everything, sir.

Mr. FULTON. You gave several notes, didn't you?

Mr. CURLEY. I might have.

Mr. FULTON. You recall that you said in all your experience with him you probably never had more than six letters?

Mr. CURLEY. That is true; I said six or a dozen.

Mr. FULTON. And that you destroyed those. Did you give a letter to Mr. Fitzgerald, that is to Mr. Morganstern directed to Mr. Fitzgerald, introducing Mr. Morganstern?

Mr. CURLEY. Instead of to Fuller?

Mr. FULTON. Yes.

Mr. CURLEY. I don't really know; I probably did.

Mr. FULTON. Is this your signature on this letter?

Mr. CURLEY. If it reads to Mr. Fitzgerald I will say "yes," without looking at it.

Mr. FULTON. I would prefer that you look at it because there has been a contention by many that——

Mr. CURLEY. That is right.

(The letter referred to was marked "Exhibit No. 514" and is included in the appendix on p. 5361.)

Mr. FULTON. Mr. Morganstern wrote Mr. Fuller saying that "the Governor told me that he spoke to you last evening and you said you would pay for the overshoes and for invoice to close on Monday next."<sup>1</sup> Then there is a whole series of letters. "I spoke to my friend, the Governor, this evening and he advised me to take this package to you to the hotel, rather than mail it."<sup>2</sup> That is a letter to Mr. Fuller. What package was that?

Mr. CURLEY. I don't know unless it was a sample of the shoes he didn't own.

Mr. FULTON. Why would you ask him to have the package taken to the hotel rather than mailed?

<sup>1</sup> Exhibit No. 515, appendix, p. 5361.

<sup>2</sup> Exhibit No. 517, appendix, p. 5362.

Mr. CURLEY. I can't tell you that.

Mr. FULTON. Do you recall asking him to do that?

Mr. CURLEY. No, I don't, but I probably did if you say so.

Mr. FULTON. I don't say so.

Mr. CURLEY. If the letters say so.

Mr. FULTON. Mr. Morganstern's letter to Mr. Fuller says so.

Mr. CURLEY. I should judge that is correct.

(The letters referred to were marked "Exhibits Nos. 515 to 518" and are included in the appendix on pp. 5361-5362.)

Mr. FULTON. And then there is another one [reading from Exhibit No. 516]:

DEAR MR. FULLER: In speaking with you today while with the Governor I learned that you could not be in Boston today to examine the overshoes.

Then it goes on to talk about another transaction. Now did you have any other transaction that you discussed with Mr. Morganstern?

Mr. CURLEY. I think Mr. Morganstern turned out to be an itinerant vendor of about everything under the sun, but he hadn't anything like Mr. Fuller himself.

Mr. FULTON. What was the other transaction? What were the other transactions that you talked about?

Mr. CURLEY. As I recall I think he had some steel disks, but he never did anything with them; he never did anything with anything as far as I can discover.

Mr. FULTON. What was your interest in these transactions?

Mr. CURLEY. I am national committeeman from Massachusetts and I am going to resign just as quickly as I can. I have become a glorified errand boy for about everyone under the sun.

Mr. FULTON. You weren't acting as national committeeman in doing this?

Mr. CURLEY. I certainly was carrying out any requests any constituent might make. I have been doing it too long.

Mr. FULTON. And in acting as president of Engineers Group you considered that you were acting only in accordance with your duties as national committeeman.

Mr. CURLEY. I don't think that is hardly a fair question.

Mr. FULTON. I am trying to understand because these are transactions with the head, that is the executive vice president, junior only to you in Engineers.

Mr. CURLEY. I suppose you get requests of about 25 or 50 different people a week, this thing, that thing, and the other thing. I usually send them along to the Congressman or Senator, sometimes go ahead.

Mr. FULTON. But this Mr. Fuller was not a Senator or Congressman.

Mr. CURLEY. I appreciate that and thank God for it.

Mr. FULTON. What I had in mind is why were you taking these matters up through him with respect to that. That certainly had nothing to do with the national committee.

Mr. CURLEY. I should assume that I took it up with him because I believed he had the connections; he claimed he had and put them across and selling them.

Mr. FULTON. In other words Engineers Group was going to assist Mr. Morganstern in disposing of these articles, shoes, and various other things?

Mr. CURLEY. I didn't say that. I said Mr. Fuller himself personally was going to do it.

Mr. FULTON. And you had no interest in it at all?

Mr. CURLEY. No; I had none.

Mr. FULTON. No financial interest in whatever might be made?

Mr. CURLEY. Nothing was ever made on any of them as far as I know.

Mr. FULTON. Did you ever take any action with respect to this question of brass that he raised?

Mr. CURLEY. Brass? I said steel disks. It might have been brass disks; there wouldn't be such a thing as steel disks anyway.

Mr. FULTON. He said:

This is material of the very best quality for ammunition and is owned by a foreign government. On account of the conditions abroad it could not be shipped, but it is not junk or scrap and is a product of the American Brass Co. Brass can be examined and approved and is all guaranteed A. No. 1 quality. If you are a buyer or have a buyer, why not try to get together on this lot? It is perfect merchandise in every respect.

(The letter referred to was marked "Exhibit No. 519" and is included in the appendix on p. 5363.)

Mr. FULTON. That letter was written to Fuller and it gives some prices on here, 30 cents a pound, 32 cents a pound, 23 cents a pound. Did they inform you of the prices?

Mr. CURLEY. I didn't know anything about the prices.

Mr. FULTON. Were those the prices which could legally be asked in the United States for that brass?

Mr. CURLEY. I don't really know, but as far as I know Mr. Morgans-tern never sold anything and never had anything.

Mr. FULTON. But the proposal that he had in mind was to sell some brass suitable for ammunition purposes?

Mr. CURLEY. I should say so; yes.

Mr. FULTON. And at that time the Government had some priority and selling prices on brass, did it not? Was there ever any discussion of those?

Mr. CURLEY. No; I don't recall.

Mr. FULTON. Why couldn't they have been sold directly without interesting Mr. Fuller in it?

Mr. CURLEY. I don't know, unless they were of the opinion Mr. Fuller could put it over and nobody else could.

Mr. FULTON. He didn't know Mr. Fuller until you introduced him?

Mr. CURLEY. That is right.

Mr. FULTON. Was it your opinion Mr. Fuller could put it over and no one else could?

Mr. CURLEY. No; I wouldn't say that. I think somebody else might have done it.

Mr. FULTON. Why would there be any problem about disposing of brass during a shortage?

Mr. CURLEY. I can't tell you that; I don't know; all I know is as I recall Morgans-tern came and said he had these shoes and brass disks and numerous other things, and I suppose to get rid of him I sent him along to Fitzgerald and had Fitzgerald send him along to Fuller to get him off my back.

Mr. FULTON. Didn't Mr. Fuller send you a telegram about this brass, about Morgans-tern's brass?

Mr. CURLEY. He might have.

Mr. FULTON. You don't recall any telegram?

Mr. CURLEY. Yes; I do recall something on it but he never did anything on it, never anything done.

Mr. FULTON. Have you ever seen this telegram?

Mr. CURLEY. Yes, sir; I am quite sure I did: I think it was one of this group here that he told me one day were looking. I don't know who the devil it was here.

Mr. FULTON. If you will look at the signature and telegram you will see Fuller was not acting individually but that he was signing it on behalf of the Engineers Group of which you were president?

Mr. CURLEY. I see that but that can't be so. I think myself he was to sell that personally to Western Cartridge Co. and somebody on this list was an official of that company.

(The telegram referred to was marked "Exhibit No. 520" and is included in the appendix on p. 5363.)

Mr. FULTON. You think it was for the account of this company of which you were president?

Mr. CURLEY. No, sir; it was not. I would say that positively.

Mr. FULTON. And also the telegram refers to the fact that the Western Cartridge were only paying 19½ cents a pound, which was only a fraction of the price that was being discussed here. Now are you sure, Governor, there was no discussion of selling brass at more than the set prices to people who might perhaps have special uses for it?

Mr. CURLEY. I wouldn't say that; I wouldn't know that.

Mr. FULTON. Can you give any reason why they were even discussing the possibility of selling it at prices substantially higher than those which prevailed in the market?

Mr. CURLEY. I can't know.

Mr. FULTON. It doesn't refresh your recollection?

Mr. CURLEY. It was in the open market; they get it anyway, and why should they buy it at a higher price?

Mr. FULTON. There are certain purposes for which you cannot use articles such as brass, and consequently cannot buy, no matter what the price is.

Mr. CURLEY. I am rather hazy on it. All I know was we never sold anything.

Mr. FULTON. And he never explained what he had in mind and neither did Morganstern?

Mr. CURLEY. What?

Mr. FULTON. Neither he nor Morganstern ever explained to you exactly what kind of transaction they had in mind?

Mr. CURLEY. I suppose the transaction would be simply the sale of the product, as far as I know, legitimate.

Mr. FULTON. No discussion whatever as to why that would be difficult or easy or why?

Mr. CURLEY. Price was too high, I understand, in case of the brass; in the case of the shoes, he didn't have them to deliver. That is all I know.

Mr. FULTON. Did you ever hear of the West Paint Co., Charlestown, Mass.?

Mr. CURLEY. I think I have, sir.



Mr. FULTON. Did you ever receive a notification from Mr. Fuller that he thought that they might make a contribution to your campaign?

Mr. CURLEY. I don't remember; all I know is they never did. I can remember those who contributed; they were rather limited in number.

Mr. FULTON. Did you ever see this or a copy of it?

Mr. CURLEY. I think I must have seen that, sir.

Mr. FULTON. Did you do anything about it?

Mr. CURLEY. I think I may have solicited him, without success.

Mr. FULTON. From whom did you receive this? Who was J. F.?

Mr. CURLEY. J. F.? Jerry Fitzgerald, I suppose.

Mr. FULTON. Or James Fuller?

Mr. CURLEY. I don't know; either one.

Mr. FULTON. I think since it refers to Jerry having taken sick it probably was Mr. Fuller.

Mr. CURLEY. It would be.

Mr. FULTON. Well, it starts out [reading from Exhibit No. 521]:

Memorandum to Hon. James M. Curley, Dear Governor: Before Jerry was taken sick he interceded for the West Paint Co. of Charlestown, Mass., for some orders on paint. They received two orders in an amount estimated around \$67,000. Jerry never received a penny from these people and therefore it is suggested that they contribute something to the campaign in view of this business.

Knowing the profit in the paint business as I do, at least \$3,500 ought to be contributed.

Mr. CURLEY. I think I do recall that.

(The memorandum referred to was marked "Exhibit No. 521" and is included in the appendix on p. 5364.)

Mr. FULTON. Why do you think they should make a contribution for getting such a contract?

Mr. CURLEY. I don't know; the suggestion came and it looked rather inviting.

Mr. FULTON. What would Mr. Fitzgerald have to do with the paint company getting a contract for paint?

Mr. CURLEY. We might have interceded with some friend over here. I think I recall that thing a little bit more clearly now. I recall calling them up and they informed me they had bid about 7 or 10 cents a gallon less than the market price in order to keep their help working, so they took the contract at a loss and couldn't contribute to anybody. I recall that.

Mr. FULTON. Now whom did they make that bid to?

Mr. CURLEY. Some Government department; I don't know which one.

Mr. FULTON. And what did Mr. Fitzgerald have to do with it, the Government part of it?

Mr. CURLEY. I don't know any more than you, sir.

Mr. FULTON. Did you ask him?

Mr. CURLEY. I suppose I must have asked him.

Mr. FULTON. What did he tell you?

Mr. CURLEY. I don't recall what he told me.

Mr. FULTON. What basis would you have for asking a contribution on a contract which somebody obtained through intercession?

Mr. CURLEY. I suppose I simply called him up and told him Mr. Fitzgerald had got him a contract for \$67,000 and wanted to know if they wanted to contribute to a campaign fund; they said they had bid

10 cents a gallon below the market price and couldn't make any contribution. That is the whole story.

Senator BALL. Why would Mr. Fitzgerald think in lieu of any direct payment to him he should contribute to your campaign?

Mr. CURLEY. I don't know, sir; I can't answer that question.

Senator BALL. Did Mr. Fitzgerald handle many transactions for you in Washington?

Mr. CURLEY. I think he handled most of them without being requested to do it; did that of his own volition.

Senator BREWSTER. Were they, as far as you know, the low bidder on this?

Mr. CURLEY. Not only the low bidder, but took a loss of 10 cents a gallon, they informed me. You could send a telegram to them and they will inform you to that effect.

Senator BREWSTER. If they were the low bidder why would there be need of intercession?

Mr. CURLEY. There shouldn't be need of intercession; there probably wasn't. Fitzgerald claimed there was, probably.

Senator BREWSTER. So that was simply a question of trading on their innocence?

Mr. CURLEY. That is done every day in the week.

Senator BALL. Did Mr. Fitzgerald often send memorandums like that to you, suggesting this or that party might do some political work for, and make a contribution?

Mr. CURLEY. No, no; but if he did, as a rule, I tore them up.

Senator BALL. You didn't tear this one up?

Mr. CURLEY. I should have. It doesn't make any difference anyway, it had no value.

Senator BALL. Do you remember burning those papers?

Mr. CURLEY. That is right; I never keep any.

Mr. FULTON. You did, I think, tell us you destroyed some of the letters you had from Mr. Fuller?

Mr. CURLEY. Yes, sir; I severed all connections with Kalunite, Fuller, and Fitzgerald; also from this day forth from Fitzgerald.

Mr. FULTON. Did you have an attorney by the name of Brennan?

Mr. CURLEY. Who?

Mr. FULTON. James P. Brennan.

Mr. CURLEY. No; I had not.

Mr. FULTON. Do you know the attorney?

Mr. CURLEY. I do.

Mr. FULTON. He was never your counsel in any manner?

Mr. CURLEY. He was not; no.

Mr. FULTON. He organized this Engineers' Group. Do you recall?

Mr. CURLEY. So I understand. That is, I don't know that; I was elected president of this corporation; didn't know Mr. Hurt was elected treasurer; I don't recall the organization meeting.

Mr. FULTON. The minutes show your election but they may be forgeries. We can never tell.

Mr. CURLEY. Mr. Fuller was very skillful with a pen and perhaps I am identifying signatures of mine that never were made.

Mr. FULTON. You should be exceedingly careful in that respect.

Mr. CURLEY. As I understand it, I called up the secretary and asked him to check up and find out that the Massachusetts corporation was

formed in October 1941. Is that your date? It was a dummy corporation. Mr. Hurt was not on there; I wasn't on there.

Mr. FULTON. As you know, Governor, it is quite the usual, and a very proper practice for lawyers in organizing corporations to put their office help in as the officers; then the office help resigns and elects the people selected, and the particular persons you are referring to as dummies were people in the office of Mr. Brennan.

Mr. CURLEY. Surely.

Mr. FULTON. Now I wondered why this corporation was organized in Boston, Mass., by Mr. Brennan and I thought possibly that might have been known to you.

Mr. CURLEY. I don't really know. If I were to venture an opinion, he might have considered a more profitable field to operate than Washington or places where he was known.

(The document referred to was marked "Exhibit No. 522" and is included in the appendix on p. 5364.)

Mr. FULTON. In any event you had nothing to do with the organization?

Mr. CURLEY. No.

Mr. FULTON. And in fairness to Mr. Brennan the organization of the company would be a perfectly proper activity?

Mr. CURLEY. I think Mr. Brennan is just as much an innocent victim as any of the men you called here on this list.

Mr. FULTON. I think probably he is more so because there is no indication he put up any money of any kind or had anything to do with any transaction.

Mr. CURLEY. Just a matter-of-fact honorable man, as I recall him.

Mr. FULTON. I think you said to Senator Ball that Mr. Fuller took up matters without your referring them to him but your referred a number of matters to him, did you not? Do you recall the matter of the Elmo Realty Co.?

Mr. CURLEY. No; I do not.

(The letters referred to were marked "Exhibits Nos. 523 and 524" and are included in the appendix on p. 5364.)

Mr. FULTON. Is this your signature?

Mr. CURLEY. I think it is, sir; yes, sir. That was about a week before I got out. Somebody had sent along that communication and asked if I knew anybody who could use that plant.

Mr. FULTON. That, as you say, is December 22. That is more than a month after you said you learned that they were soliciting fees for obtaining contracts.

Mr. CURLEY. Well, I didn't get out of the corporation until the 29th.

Mr. FULTON. Why did you refer this to Mr. Fuller?

Mr. CURLEY. I probably was requested to send it along to somebody who might be interested in the establishment of a plant.

Mr. FULTON. Who is John Curley, 24 School Street?

Mr. CURLEY. He is my brother, in the real estate business with me.

Mr. FULTON. You say, "In the event you have anyone seeking a plant, the enclosed looks extremely attractive. John Curley has the disposition of it. The price is \$75,000."

Mr. CURLEY. It does look attractive on paper.

Mr. FULTON. At any event, even after you thought you had lost confidence in him, you were still soliciting his activity in this connection?

Mr. CURLEY. It was just things that you poured along. If you get a request of somebody, get rid of it yourself and pour it along instead of handling it yourself.

Mr. FULTON. Did you ever hear of Mr. Dudley Kohler?

Mr. CURLEY. No; I don't recall. What line is he in?

Mr. FULTON. Did you ever hear of a bond issue on a plant in Lakeville, Conn.?

Mr. CURLEY. No; I don't recall that.

Mr. FULTON. Or the Texas Sugar Refining Co.?

Mr. CURLEY. No; I don't know that.

Mr. FULTON. Or a steel mill in New Jersey?

Mr. CURLEY. No, sir. Did I own those also?

Mr. FULTON. Mr. Kohler, in a letter to Mr. Fitzgerald, refers to all those different enterprises and then says in the bottom paragraph, "Give my thanks to Governor Curley for his interest and let me know how your cold is doing."

(The letter referred to was marked "Exhibit No. 525" and is included in the appendix on p. 5365.)

Mr. FULTON. I wondered if you had any interest in those companies.

Mr. CURLEY. No; and I don't know Mr. Kohler. It is probably one of the letters that came along and I sent to along to somebody else to dispose of to get it off my back. That was done all the time, and you forget them.

Mr. FULTON. At any event, you don't recall it?

Mr. CURLEY. No.

Mr. FULTON. Do you recall the Triton Powder and TNT Corporation of Wilmington?

Mr. CURLEY. No; I do not.

Mr. FULTON. Did you know a Col. Martin J. Connelly?

Mr. CURLEY. I know Mr. Connelly. I haven't seen him for about 8 years.

Mr. FULTON. What business connection did you have with him in 1941, if any?

Mr. CURLEY. I had none. I haven't seen him for 8 years.

Mr. FULTON. Were you contemplating any?

Mr. CURLEY. Not that I recall.

Mr. FULTON. Did you ever have an appointment to meet him to discuss a business proposition?

Mr. CURLEY. I don't recall.

Mr. FULTON. You mean you don't recall whether you did or did not?

Mr. CURLEY. I don't—I know that I haven't seen him in 8 years. I don't recall I ever made an appointment to meet him, either.

Mr. FULTON. Here is a telegram from Mr. Fitzgerald to Mr. Fuller on November 27 saying:

Col. Martin Connelly, president of Triton Powder and TNT Corporation, Wilmington, will meet with you and Governor Curley Tuesday or Wednesday. Get in touch with Governor Curley regarding the matter we took up, regarding Major Hawkins and affiliates.

(The telegram referred to was marked "Exhibit No. 526" and is included in the appendix on p. 5365.)



Mr. FULTON. Did Mr. Fuller do that?

Mr. CURLEY. I don't know anything about it. It is one of Mr. Fitzgerald's operations, I guess, independent of everybody.

Mr. FULTON. In other words, he was setting the date for you to meet a man, but he didn't tell you about it?

Mr. CURLEY. No; I never heard of it.

Mr. FULTON. And you never heard about it?

Mr. CURLEY. No.

Mr. FULTON. Do you know Major Hawkins and affiliates?

Mr. CURLEY. Isn't he on here?

Mr. FULTON. Yes.

Mr. CURLEY. I met him; yes.

Mr. FULTON. What did you talk about with him?

Mr. CURLEY. I don't recall that I talked about anything with him.

Mr. FULTON. What was the purpose of the meeting?

Mr. CURLEY. I met Mr. Hawkins at Mr. Fuller's office, I believe. I was introduced to him there. He looked like a very high-grade Army officer, a man about 65 or 70 years of age, retired.

Mr. FULTON. Did you have a talk about any business transactions with him?

Mr. CURLEY. No, I didn't; no.

Mr. FULTON. Did you ever hear of any transaction that he was to be interested in?

Mr. CURLEY. I think I understood from Mr. Fuller that he was to get him contracts with the Amtorg for about nineteen to twenty-nine million dollars' worth of materials of one kind or another, but I think that failed to materialize, like the other things.

Mr. FULTON. Were you to have any participation in it?

Mr. CURLEY. No, sir; I was not.

Mr. FULTON. Was your name to be used in it?

Mr. CURLEY. No, sir; it was not.

Mr. FULTON. Did you ever hear of the Pneumatic Mail Tube System?

Mr. CURLEY. Yes; I have heard of that.

Mr. FULTON. Did you ever have any discussion of that with Mr. Fuller?

Mr. CURLEY. I did not; no.

Mr. FULTON. Or with Mr. Donald Smith?

Mr. CURLEY. No, sir; I did not.

Mr. FULTON. Did you ever receive a memorandum concerning it?

Mr. CURLEY. From those sources?

Mr. FULTON. Yes.

Mr. CURLEY. No, sir.

Mr. FULTON. If Mr. Fuller wrote Mr. Smith saying "Regarding your memorandum on the Pneumatic Mail Tube System, I have forwarded a copy to the Governor," that could not have referred to you because you didn't get any such?

Mr. CURLEY. I never received any such thing. I never discussed that with him. I am positive of that.

(The documents referred to were marked "Exhibit No. 527" and are included in the appendix on pp. 5365-5366.)

Mr. FULTON. And, I notice in here, it says, "However, the Governor states that the last trip he made on Pneumatic Mail Tube Systems

cost him \$25,000 and he would not be interested at all in assuming even a contingent liability for revitalizing the deal."

Did you ever have anything to do with Pneumatic Tube?

Mr. CURLEY. No; I did not.

Mr. FULTON. Is it possible that the word "Governor" refers to someone other than yourself?

Mr. CURLEY. No; I think it refers to me. I recall some years ago—I don't know how long it is, 6 or 8 years ago—a Mr. Whitmore, that had a large interest in it, asked me if I could recommend some attorney that they could employ, and I recommended Judge Emil Fuchs, of New York. I think he spent \$25,000 for caviar and wine in Washington and got nowhere.

Mr. FULTON. Did you come down to Washington and have an office here?

Mr. CURLEY. I did not.

Mr. FULTON. At the Hotel Mayflower?

Mr. CURLEY. No, sir; I did not.

Mr. FULTON. Did you ever occupy room 260 there?

Mr. CURLEY. I don't know. I have occupied a great many rooms. It is rather difficult to get them most of the time.

Mr. FULTON. Around June 30, 1941, did you have any occasion to be at the Mayflower?

Mr. CURLEY. I wouldn't say, sir. I don't really know.

Mr. FULTON. That is shortly after Fuller, I believe, was released from jail. He, at least, informed the manager of the Mayflower that he wanted to express appreciation for courtesy in making available the office room, and he says, "Be assured that your courtesy was of great assistance to the interests of Curley and Fuller, and that for it we shall not soon forget this unusual gesture."

(The letter referred to was marked "Exhibit No. 528" and is included in the appendix on p. 5366.)

Mr. FULTON. In writing that he was misusing your name, I take it?

Mr. CURLEY. Right. I guess he and Fitzgerald misused it about all of the time, so far as I can discover.

Mr. FULTON. He also wrote a different letter to a Mr. Montfort at the Mayflower, again thanking him for it and again referring to Curley and Fuller, as though it were a partnership.

(The letter referred to was marked "Exhibit No. 529" and is included in the appendix on p. 5366.)

Mr. FULTON. Did you ever have a telephone in your name in Washington?

Mr. CURLEY. No, sir.

Mr. FULTON. During 1941?

Mr. CURLEY. No, sir.

Mr. FULTON. Did you know that there was a telephone which at least was listed in your name for 1022 Seventeenth Street NW.?

Mr. CURLEY. No; I did not.

(The documents referred to were marked "Exhibit No. 530" and are included in the appendix on pp. 5367-5368.)

Mr. FULTON. And that there was billed to it the sum of \$114.94?

Mr. CURLEY. No, sir; I did not. I did discover that there were cards printed—what was the name of the company there?—for the Engineers Group with my name on it. I received a box of them

through the mail and burned them, and notified them not to use the name any more.

Mr. FULTON. Did they have authority to open—here is another telephone bill for \$240 in your name.

Mr. CURLEY. No, sir; absolutely no authority. Another forgery, I guess.

Mr. FULTON. And those bills were paid, or at least the \$240 one was paid, by letter of Mr. Fuller to Engineers Group. But you knew nothing of it?

Mr. CURLEY. Absolutely nothing, sir.

Mr. FULTON. And you made none of these calls that were on that 'phone?

Mr. CURLEY. No, sir.

Mr. FULTON. You are sure of that?

Mr. CURLEY. Positive.

Mr. FULTON. Did you authorize the purchase of any furniture for that office under your name?

Mr. CURLEY. I did not; no.

Mr. FULTON. Did you know that the Charles C. Schulman Co., Commercial Furniture, Washington, billed you for \$788 to that address?

Mr. CURLEY. I didn't know that there was such a concern in Washington.

(The documents referred to were marked "Exhibit No. 531" and are included in the appendix on p. 5368.)

Mr. FULTON. But that wasn't due to any authorization of yours?

Mr. CURLEY. Oh, Lord, no!

The CHAIRMAN. Did Fuller have the authority to sign your name to all these letters and telephone bills?

Mr. CURLEY. No authority at all; no authority for anything.

Mr. FULTON. I understood that you did not talk with any Government agency.

Mr. CURLEY. That is true.

Mr. FULTON. No one in the R. F. C. or Defense Plant?

Mr. CURLEY. No, sir.

Mr. FULTON. Or the Department of the Interior or anyone else?

Mr. CURLEY. No, sir.

Mr. FULTON. Fuller, in referring to his private notes to any such thing, was making a false statement, I take it?

Mr. CURLEY. If he made any such references as that it was false; yes.

Mr. FULTON. Do you have anything you wish to add, or might explain further?

Mr. CURLEY. I would like to see that telegram that I discussed with you earlier in the morning session, that the Senator on the right took exception to in this morning's session.<sup>1</sup>

Mr. FULTON. A telegram about what? There are many telegrams.

Mr. CURLEY. It looked as though it might be an invitation for people to come into the company. It is rather a simple matter to get into a lot of trouble, isn't it?

Mr. FULTON. I think that was left here for the stenographer.

Mr. CURLEY. Let it go, anyway.

<sup>1</sup> See Exhibit No. 507, appendix, p. 5357.

Mr. FULTON. That telegram was the one Fuller sent you and asked you to send him? <sup>1</sup>

Mr. CURLEY. Yes.

Mr. FULTON. I will provide you with a copy of it if you will tell me where you are staying.

Mr. CURLEY. I am at the Mayflower at present, but it is the last time, I think, there.

Senator BALL. Governor, you say this Fitzgerald was no agent of yours, formal or informal, here in Washington?

Mr. CURLEY. Absolutely no; but I have never gone into the Mayflower or any other place he has been that he hasn't lugged over some Senator or some judge and introduced me. On the strength of that he has made capital and sold me down the pike, so far as I could see.

Senator BALL. Had you seen much of him prior to this time last summer, when he introduced you to Fuller?

Mr. CURLEY. I never came to Washington that he wasn't chairman of the greeters' committee.

Senator BALL. So you had seen quite a bit of him?

Mr. CURLEY. I had seen him for years; yes, sir.

Senator BALL. But you placed no trust or confidence in him, particularly?

Mr. CURLEY. I really did. I rather liked the fellow. I thought he was probably balanced, but I am satisfied he isn't, now.

Senator BALL. If he had been using your name in the fashion in which—

Mr. CURLEY. He is off my list from now on, sir.

Senator BALL. In the fashion these records indicate—

Mr. CURLEY. For a long time; I am satisfied of that.

Senator BALL. You would have heard about it long before seeing these letters here?

Mr. CURLEY. I have heard about it, but it hasn't been in an altogether injurious manner, just an irritating manner—injurious now, of course.

Senator BALL. So you knew he was doing this, but you haven't made any move to crack him on it?

Mr. CURLEY. Didn't pay any attention to it.

Senator BALL. So you had known Fitzgerald and seen him practically every time you came to Washington, although he wasn't representing you here. At the time he introduced you to Fuller in the Mayflower, that was the first time you had ever met Fuller?

Mr. CURLEY. That is right.

Senator BALL. And it was Fuller who unfolded this Engineers Group plan to you?

Mr. CURLEY. To save America; to save Fuller, he meant.

Senator BALL. How long did you spend with him?

Mr. CURLEY. With Fitzgerald or Fuller?

Senator BALL. With Fuller. How many hours?

Mr. CURLEY. Oh; you mean at the time I first met him.

Senator BALL. That evening; that first time.

Mr. CURLEY. I should say he might have talked for a couple of hours. He is capable of talking for 24 at a stretch.

Senator BALL. And at the end of that time you agreed to become president.

<sup>1</sup> Exhibit No. 507, appendix, p. 5357.



Mr. CURLEY. I was convinced that he was going to be in a position, with the group associated with him, to render real service to America.

Senator BALL. Well, as a man who has been in public life a great deal, you undoubtedly have been approached a great many times by groups who wanted to use your name for this, that, or the other.

Mr. CURLEY. That is true. That is true.

Senator BALL. Do you always yield as easily as that?

Mr. CURLEY. As a rule, I do not; but apparently I wasn't alone in it this time, and they weren't all simpletons, either, you know, from that list I read to you today.

Senator BALL. It must have been very clear from your discussion with Mr. Fuller that he, at least, wasn't in this thing solely for his health; that he was hoping to make some money out of this deal as well as being patriotic.

Mr. CURLEY. I haven't any doubt of that, sir.

Senator BALL. Did you get the impression that first night that Fuller was solely interested in helping produce aluminum and did not expect to make any money out of this?

Mr. CURLEY. No, no, no. I was satisfied he was going to make money out of it.

Senator BALL. Yet, on the basis of 2 hours' conversation with a man you had never met you agreed to permit the use of your name and the use of that name as president of the corporation when you did not, in fact, intend to do anything about it, on a proposition where this man, whom you had known for just 2 hours, obviously expected to make some money out of it. You agreed to the use of your name on that basis.

Mr. CURLEY. On the strength of the men that he said, claimed, were to be associated with him.

Senator BALL. Do you usually go into a business proposition without checking back on those things, seeing that these men actually were in the company and knew something about it?

Mr. CURLEY. I don't think—I think there are very few people that could resist an appeal as presented by him, supplemented by the imposing array of outstanding men that he claimed were to be associated with him in the enterprise. You couldn't do it yourself. You think you could, but you couldn't, no more than I could or anybody else.

Senator BALL. One other question, Mr. Curley: You say, in response to the questions of Mr. Fulton, that this check for \$2,000 from Mr. Fuller,<sup>1</sup> which was to be sent to this bank out West—

Mr. CURLEY. Right.

Senator BALL. Was never sent?

Mr. CURLEY. Never sent. I don't know whether it was ever sent or not; if it was sent, there were no funds. In any event the bank was very indignant and wired me that they had not received the money as per agreement.

Senator BALL. That they had not received it?

Mr. CURLEY. That is right.

Senator BALL. Did you subsequently pay the bill from other funds?

Mr. CURLEY. Yes. The only thing I have got out of Mr. Fuller is a bad odor, and I think that is about all anybody else got.

<sup>1</sup> See Exhibits Nos. 511 and 512, appendix, p. 5360.

The CHAIRMAN. That is all Governor. Thank you.

Mr. CURLEY. I am like the man who went from Jerusalem to Jericho. I met Mr. Fuller.

The CHAIRMAN. Mr. Fitzgerald?

Do you solemnly swear to tell the truth, the whole truth and nothing but the truth in the testimony you are about to give before this committee, so help you God?

## TESTIMONY OF MARSHALL J. FITZGERALD, WASHINGTON, D. C.

### CONNECTION OF MARSHALL J. FITZGERALD WITH ENGINEERS' GROUP, INC.

The CHAIRMAN. Give your full name and connections to the reporter, please.

Mr. FITZGERALD. Marshall J. Fitzgerald.

Mr. FULTON. Mr. Fitzgerald, you were telling me that you desired to make certain statements on the record so as to clear up any possible misunderstandings of fact. Would you proceed to tell us in your own words what your version of this is?

Mr. FITZGERALD. Yes, sir. I introduced Governor Curley to Fuller in the middle of June or the latter part of June of 1941.

Mr. FULTON. Where did this occur, and how did it happen to occur?

Mr. FITZGERALD. In the lobby of the Mayflower Hotel.

Mr. FULTON. Was anyone else present?

Mr. FITZGERALD. No.

Mr. FULTON. What was said at that time, as nearly as you can recall?

Mr. FITZGERALD. I just introduced him as James Fuller, and he told me that he was from Massachusetts, and I introduced him as ex-Governor Curley.

Mr. FULTON. What had been your relation with the Governor before that time? Did you know him?

Mr. FITZGERALD. I knew Governor Curley for years.

Mr. FULTON. What had your relations with him been?

Mr. FITZGERALD. Just as a good Democrat.

Mr. FULTON. And by that you mean what?

Mr. FITZGERALD. I admired him. I idolized him as a speaker, an organizer.

Mr. FULTON. You had never had any other connection with Governor Curley?

Mr. FITZGERALD. Oh, we would chat and kid, as he generally does with everyone.

Mr. FULTON. But you had never been active for him or with him?

Mr. FITZGERALD. I was always a good Democrat.

Mr. FULTON. So am I, but I never met Governor Curley. I mean, could you be more specific about the nature of your relationship?

Mr. FITZGERALD. That's it.

Mr. FULTON. What had been your relationship with Mr. Fuller?

Mr. FITZGERALD. I have had no relationship with Fuller in business transactions in any way until I met him that day.

The CHAIRMAN. Did you know he was a jailbird when you introduced him to the Governor?

Mr. FITZGERALD. He told me he had a Presidential pardon.

The CHAIRMAN. I say, did you know that he was a jailbird when you introduced him to the Governor?

Mr. FITZGERALD. I had received a letter from him.

Mr. FULTON. From jail?

Mr. FITZGERALD. From Fuller while in jail.

The CHAIRMAN. Did you tell the Governor that he had been in jail?

Mr. FITZGERALD. No; I did not.

The CHAIRMAN. Why didn't you do that if you were as good a Democrat as you say you are?

Mr. FITZGERALD. Senator, I didn't have the opportunity, because about 5 minutes afterward we met Frank Eichelberger, who was an engineer from the West—

Mr. FULTON. On that point, then, you contradict the Governor, because I asked him specifically whether it had anything to do on that day with Mr. Eichelberger, or rather with anyone else, and he said "no." Didn't you hear him a few minutes ago?

Mr. FITZGERALD. I could not hear plainly.

Mr. FULTON. In any event, you say that within 5 minutes Fuller introduced the Governor to Frank Eichelberger?

Mr. FITZGERALD. Within a few minutes; I wouldn't know whether it was an hour or within a few minutes.

Mr. FULTON. But it was on the same day?

Mr. FITZGERALD. It was on the same day.

Mr. FULTON. And it was laying the foundation for this expected testimony that I addressed these questions to the Governor.

Mr. FITZGERALD. I wouldn't say laying the foundation, but Eichelberger was a miner, interested in mining.

Mr. FULTON. Did you ever tell the Governor the next time you met him, or shortly thereafter, about Mr. Fuller having been in jail?

Mr. FITZGERALD. Not for some time—around December, I believe, I mentioned the fact.

Mr. FULTON. Not until December?

Mr. FITZGERALD. I believe.

Mr. FULTON. Is that what you told Mr. Alley and Mr. Robinson<sup>1</sup> at noon?

Mr. FITZGERALD. I did not tell them that; I told the Governor that he was in jail when I first met him, when the Governor first met Fuller.

Mr. FULTON. How soon afterward did you tell him?

Mr. FITZGERALD. It was some time afterward.

Mr. FULTON. How long afterward?

Mr. FITZGERALD. I could not say. If you will read that statement you may recall it to me.

The CHAIRMAN. Mr. Fitzgerald, is your residence in Boston?

Mr. FITZGERALD. I am originally from Boston; yes, sir.

The CHAIRMAN. And what is your business now?

Mr. FITZGERALD. Legislative work.

The CHAIRMAN. That is, you are a lobbyist here in Washington?

Mr. FITZGERALD. If you call it that; yes.

The CHAIRMAN. That is the right name for it, and there is no disgrace in it if you do it the right way.

<sup>1</sup> Harold G. Robinson, committee investigator.

In your association with Governor Curley, how did you attain your friendship with the Governor? Were you a precinct worker or ward captain, or what?

Mr. FITZGERALD. Yes, sir.

The CHAIRMAN. Which?

Mr. FITZGERALD. I have been everything.

The CHAIRMAN. You have been all of them?

Mr. FITZGERALD. Yes, sir.

The CHAIRMAN. Were you ever the secretary of the Governor?

Mr. FITZGERALD. No; I never posed as his secretary.

The CHAIRMAN. You never held—

Mr. FITZGERALD. Never said that I was secretary.

The CHAIRMAN. Did he ever appoint you to a job?

Mr. FITZGERALD. No, sir. I never asked him to.

The CHAIRMAN. The reason I ask you these questions, I want to know how you attained your close association with the Governor in such a way that you introduced a jailbird to the Governor and then do not tell him who the jailbird is. I can't understand that, if you are his friend.

Mr. FITZGERALD. Later on I told the Governor that he worked in the campaign in Massachusetts in 1932.

The CHAIRMAN. That is, Fuller did?

Mr. FITZGERALD. Yes, sir. The Governor did not recall him.

The CHAIRMAN. I see.

Mr. FULTON. But did you talk about any record that Fuller had?

Mr. FITZGERALD. No; I did not discuss that with the Governor.

Mr. FULTON. I take it you have not yourself had any record of any kind?

Mr. FITZGERALD. No, sir.

Mr. FULTON. And what is your profession?

Mr. FITZGERALD. Legislation work.

Mr. FULTON. I mean, are you a lawyer or an accountant?

Mr. FITZGERALD. Yes; not an accountant—partially an accountant.

Mr. FULTON. A lawyer admitted to the bar here?

Mr. FITZGERALD. Not here in the District of Columbia; no.

Mr. FULTON. But you stay here in the District at the Mayflower, or where?

Mr. FITZGERALD. Not any more; no. I live on Sixteenth Street.

Mr. FULTON. You and I seem to have much in common. We are both Democrats and we both live on Sixteenth Street.

Mr. FITZGERALD. I am known as a Democrat.

Mr. FULTON. Well, now, what means of support do you have?

Mr. FITZGERALD. Legislation work.

Mr. FULTON. Who pays you for that?

Mr. FITZGERALD. Well, I was on utilities.

Mr. FULTON. I didn't understand.

Mr. FITZGERALD. I did work for utility companies.

Mr. FULTON. Recently?

Mr. FITZGERALD. Not in the past 2 years.

Mr. FULTON. From whom have you received fees during the last 2 years, and for what?

Mr. FITZGERALD. Right at this time I don't remember.

Mr. FULTON. Your memory fails you on that point?

Mr. FITZGERALD. A little; yes.



Mr. FULTON. Can't you remember any?

Mr. FITZGERALD. No.

The CHAIRMAN. You understand, Mr. Fitzgerald, that when you are testifying before this committee it is just the same as if you are testifying before a grand jury, so you had better get your memory in good shape on these questions we ask, because we will get the answers if you don't give them to us.

Mr. FITZGERALD. I haven't been well, Senator, in the last 8 or 9 months.

Mr. FULTON. You, as a lawyer, are familiar with your privilege against testifying in any way that might incriminate you.

Mr. FITZGERALD. I am.

Mr. FULTON. If you wish to claim such a privilege at any time the committee will not ask you further questions.

Mr. FITZGERALD. I had expectations of a position paying a very good salary with the Engineers Group.

Mr. FULTON. What position?

Mr. FITZGERALD. Well, if it was properly organized as it was outlined.

Mr. FULTON. What position and what salary?

Mr. FITZGERALD. Well, there was no salary stated. There was money to be made—the possibilities, the same as a few others.

Mr. FULTON. You were to be a stockholder, is that it?

Mr. FITZGERALD. Yes.

Mr. FULTON. And how much money were you to put in to obtain your stock?

Mr. FITZGERALD. Well, time and effort and what money was loaned to Fuller.

Mr. FULTON. Did you loan any money to Fuller?

Mr. FITZGERALD. Well, \$750.

Mr. FULTON. When?

Mr. FITZGERALD. Oh, from last July until about December 1.

Mr. FULTON. For what purpose?

Mr. FITZGERALD. Well, when he was short, several times, \$25, \$50, \$75. Sometimes I would be reimbursed and sometimes I would not.

Mr. FULTON. Did you loan him any money to assist him to get out of his legal difficulties?

Mr. FITZGERALD. No, sir.

Mr. FULTON. Did you take any action to assist him to get out of his legal difficulties?

Mr. FITZGERALD. No, sir.

Mr. FULTON. Did you know the other gentlemen whose names have been referred to—Mr. Alley, for example?

Mr. FITZGERALD. I met him through Mr. Fuller in Mr. Fuller's office, once.

Mr. FULTON. Were you familiar with the real-estate transactions that were being discussed which you heard this morning?

Mr. FITZGERALD. Through Irving Newcomb, Fort Reynolds, and a job which is under construction now in Alexandria.

Mr. FULTON. Any others?

Mr. FITZGERALD. No, sir.

Mr. FULTON. The Rochford Co. or the Bishop Co. of New England?

Mr. FITZGERALD. No, sir.

Mr. FULTON. Did you ever have anything to do with Mr. Desmond?

Mr. FITZGERALD. No, sir.

Mr. FULTON. Did you introduce him or anybody connected with housing to Governor Curley?

Mr. FITZGERALD. No, sir. There was no business ever transacted with me.

Mr. FULTON. Did you ever act as secretary in the Engineers Group?

Mr. FITZGERALD. I was informed I was clerk, not secretary.

Mr. FULTON. Did you ever sign papers?

Mr. FITZGERALD. Some, I have; some that I found out my name was forged.

Mr. FULTON. Some were forged and some you signed?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. What type of papers did you sign?

Mr. FITZGERALD. I was given so many papers to sign, I wouldn't touch them; I passed them on.

Mr. FULTON. You just signed them and passed them on?

Mr. FITZGERALD. Some I would not sign, and passed them off. I tried to keep copies of them.

Mr. FULTON. Tell us the kind that you would sign.

Mr. FITZGERALD. Anything that I read thoroughly—that I knew about—I would sign.

Mr. FULTON. Well, what was that?

Mr. FITZGERALD. If it was a fact—if it was a fact.

Mr. FULTON. But what was it that you knew about in respect to the Engineers' Group?

Mr. FITZGERALD. Well, for instance, meetings which I knew anything about. There was only one meeting I ever attended.

Mr. FULTON. As secretary, it is your statutory duty to keep the minutes of the meetings, is it not?

Mr. FITZGERALD. I always understood that I was clerk. I used to quit quite often. I was dethroned half a dozen times.

Mr. FULTON. What is the distinction you make between secretary and clerk? I am unfamiliar with it.

Mr. FITZGERALD. Mr. Fuller and I did not get along.

Mr. FULTON. What did you disagree on?

Mr. FITZGERALD. Everything.

Mr. FULTON. Specifically, what?

Mr. FITZGERALD. Some of his insertions which I knew were untruthful.

Mr. FULTON. And what were they?

Mr. FITZGERALD. About different departments.

Mr. FULTON. The departments of the Government?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. And his influence with them?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. And his ability to get Government contracts?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. Now, what were the assertions, particularly?

Mr. FITZGERALD. Well, for instance, he had so and so in a certain department. The next day I would call his attention to it, or an hour afterward, when I would find out.

Mr. FULTON. Who was so and so, and what was the certain department?

Mr. FITZGERALD. I never transacted any business with any department for the Engineers' Group.

Mr. FULTON. How do you know, then, that it was a falsehood when he said what you said he said?

Mr. FITZGERALD. He would mention different people in the different departments. I did get an export license some time in January.

Mr. FULTON. For whom?

Mr. FITZGERALD. For Allied Chemical Co., in the presence of Major Hawkins, Donald Wakefield Smith, and one or two others, to sell shells to the Russian Government, which they were negotiating an order for into millions.

Mr. FULTON. What were you to receive for it?

Mr. FITZGERALD. I was to ride on the profits that were to be made from this new organization.

Mr. FULTON. Did you do anything else at all for the company?

Mr. FITZGERALD. Not to my knowledge.

Mr. FULTON. All these transactions that were brought to the attention of Governor Curley where your name was mentioned——

Mr. FITZGERALD. I had no transactions at all with any of the people mentioned, such as Mr. Thach, Mr. Hurt, Mr. Alley, or any of the contracts that you refer to.

Mr. FULTON. All these names that Governor Curley and I were discussing during this afternoon are completely new to you?

Mr. FITZGERALD. They what, sir?

Mr. FULTON. They are completely new to you?

Mr. FITZGERALD. I know who they are, but never consulted with them, never consulted business with them, never talked with them.

Mr. FULTON. Never talked with Governor Curley about them?

Mr. FITZGERALD. I have discussed lots of matters with the Governor in a kidding way.

Mr. FULTON. You were joking with him and he took it seriously, is that it?

Mr. FITZGERALD. Governor Curley? No; I never tried to kid him about business. We talked about life, and discussed other matters.

Mr. FULTON. Regarding the Engineers Group?

Mr. FITZGERALD. No; not unless someone was present. If the question was asked me, to the best of my knowledge I would not remember.

Mr. FULTON. How about the Winnemucca transaction?

Mr. FITZGERALD. The Winnemucca transaction I had in view with Fuller.

Mr. FULTON. In other words, you and the Governor did discuss that?

Mr. FITZGERALD. I knew of the Winnemucca situation.

Mr. FULTON. And the Morganstern transaction?

Mr. FITZGERALD. I did have some trouble with Morganstern the morning he arrived. I was on my way to the doctor and Morganstern and I got into an argument and I run him down those steps. I run him out of the office.

Mr. FULTON. The West Paint Co.?

Mr. FITZGERALD. I brought a man and he filed schedules in the Procurement Division of the United States Navy.

Mr. FULTON. And did you go with him?

Mr. FITZGERALD. Yes, sir. He listed his firm's name and his name and the schedules were sent to his firm and put on the list of bidding.

Mr. FULTON. And to whom did you introduce him in the Navy?

Mr. FITZGERALD. I believe there was a MacMillan—Commander MacMillan—commander of the Procurement Division of the United States Navy.

Mr. FULTON. Had you ever known him before?

Mr. FITZGERALD. No, sir.

Mr. FULTON. He was a stranger to you?

Mr. FITZGERALD. A stranger to me.

Mr. FULTON. Did you ever discuss this with anyone else in the Navy?

Mr. FITZGERALD. No, sir.

Mr. FULTON. What was meant by the statement that you had interceded with the West Paint Co.?

Mr. FITZGERALD. I learned some time after that that they had received two contracts.

Mr. FULTON. But what was meant——

Mr. FITZGERALD. They were the lowest bidders.

Mr. FULTON. What was meant by the statement that you had interceded?

Mr. FITZGERALD. I can't answer that question. That was discussed with us.

Mr. FULTON. Whom did you discuss it with?

Mr. FITZGERALD. Fuller.

Mr. FULTON. Whom did you tell Fuller you had interceded with?

Mr. FITZGERALD. I told Fuller I filed their schedules in the Procurement Division.

Mr. FULTON. Then you say all that you did was to take the man over and introduce him to a public official whom you had never met, and he filed two papers and left; is that it?

Mr. FITZGERALD. There is an information bureau to inform you of the paint division who is in charge. The man was introduced representing the West Paint Co., and he wanted to file the name and put on the list to be notified on contracts which were advertised.

Mr. FULTON. But specifically, what did you do in addition to just introducing him, if anything?

Mr. FITZGERALD. That was all.

Mr. FULTON. Why did you think that would warrant a contribution?

Mr. FITZGERALD. I didn't think it would warrant a contribution. I did not say it would warrant a contribution.

Mr. FULTON. It was Fuller who said it to the Governor. Did you know about it?

Mr. FITZGERALD. No; I did not.

Mr. FULTON. This was news to you today?

Mr. FITZGERALD. News to me. I never knew there was such a letter in existence.

Mr. FULTON. Now, from whom did you last receive a cash fee, and when?

Mr. FITZGERALD. My personal family.

Mr. FULTON. From whom in your personal family?

Mr. FITZGERALD. My daughter.

Mr. FULTON. And have you received any cash of any kind from any source other than your family during the last year?

Mr. FITZGERALD. Not in the last 9 months. I haven't been well.

Mr. FULTON. None whatever?

Mr. FITZGERALD. No, sir.



Mr. FULTON. Nine months ago whom did you receive a fee from? What was your last cash fee?

Mr. FITZGERALD. I can bring down my notebook.

Mr. FULTON. You don't recall?

Mr. FITZGERALD. To tell you the truth, as I am on the stand under oath, I would like to consult my notebook and give you and the committee the facts.

Mr. FULTON. Do you remember anybody who gave you any fees within the last 2 years?

Mr. FITZGERALD. Yes.

Mr. FULTON. Which companies and for what?

Mr. FITZGERALD. I would like the privilege of bringing down my notebook and laying it before the committee.

Mr. FULTON. Do you enter all your fees in that notebook?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. And you have that notebook?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. And you will bring it to the committee?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. It is in your possession now?

Mr. FITZGERALD. It is in my possession.

Mr. FULTON. And what were these utility companies that you said you represented?

Mr. FITZGERALD. I was with the street railway here on the merger—on the gas merger, the Washington Gas and Georgetown Light.

Mr. FULTON. Any others?

Mr. FITZGERALD. We were all in on that holding bill.

Mr. FULTON. And what was the nature of your work for them on the holding bill?

Mr. FITZGERALD. Legislation.

Mr. FULTON. Legislation?

The CHAIRMAN. Did you appear before the Interstate Commerce Committee of the Senate when that hearing was going on?

Mr. FITZGERALD. No, Senator; I did not.

Mr. FULTON. What do you mean by legislation?

Mr. FITZGERALD. In favor of the bill.

Mr. FULTON. You mean you lobbied for the bill?

Mr. FITZGERALD. Yes.

Mr. FULTON. Was the money that you said you gave to Mr. Fuller your money?

Mr. FITZGERALD. My money.

Mr. FULTON. But you don't remember where you got it from?

Mr. FITZGERALD. I wouldn't say that; no.

Mr. FULTON. Well, now, where did you get that \$700 from?

Mr. FITZGERALD. I had some bonds, stock.

Mr. FULTON. Which you sold?

Mr. FITZGERALD. Yes; I have been disposing of them for the past 3 years.

Mr. FULTON. What stock have you sold for that purpose?

Mr. FITZGERALD. I had some General Motors.

Mr. FULTON. And you sold it to get the money to pay Mr. Fuller?

Mr. FITZGERALD. No; I disposed of a lot of stock in the last 3 years.

Mr. FULTON. Which stock did you sell to get the money to give Mr. Fuller?

Mr. FITZGERALD. That was part of the proceeds that I sold the stock for. This \$750 was not in one lump sum.

Mr. FULTON. Did you give him that money in order to purchase stationery?

Mr. FITZGERALD. I bought stationery; pencils and paper.

Mr. FULTON. You bought it yourself?

Mr. FITZGERALD. Yes; about \$12 or \$15 or \$16.

Mr. FULTON. As a matter of fact, you bought it here in the Senate Office Building, didn't you?

Mr. FITZGERALD. Yes.

Mr. FULTON. So your own personal letterhead appears on United States Government watermarked paper.

Mr. FITZGERALD. I had some of that paper—blank paper.

Mr. FULTON. Do you wish to tell us anything further about your connection with this?

Mr. FITZGERALD. I had no transactions with any of the officers or directors. I never was consulted. I never made any trips with Mr. Fuller. I never have been his guest in any of the hotels.

Mr. FULTON. When did you meet Fuller for the first time?

Mr. FITZGERALD. In 1938.

Mr. FULTON. And where?

Mr. FITZGERALD. Chicago.

Mr. FULTON. And how did you happen to meet him there?

Mr. FITZGERALD. In front of the Congress Hotel.

Mr. FULTON. Had you known him previously?

Mr. FITZGERALD. Never met him before.

Mr. FULTON. You mean you bumped into him on the street?

Mr. FITZGERALD. No. I was introduced to him by Harry Bell.

Mr. FULTON. Who was with whom?

Mr. FITZGERALD. Fuller and a man by the name of Blair and J. Finkelstein.

Mr. FULTON. And what were they discussing at the time?

Mr. FITZGERALD. Well, we were all discussing politics then.

Mr. FULTON. Well, what specifically did Fuller have to do with politics?

Mr. FITZGERALD. I did not discuss politics with him.

Mr. FULTON. What did you discuss with him?

Mr. FITZGERALD. He brought up the subject that he was from Massachusetts, told me he was in the campaign in 1932.

Mr. FULTON. Fuller had very recently and even then, I think, was in some criminal difficulties; was he not? Did he mention those?

Mr. FITZGERALD. No, sir. I did not know anything about his past record—only here.

Mr. FULTON. Who was the man who introduced you to him without informing you of his record?

Mr. FITZGERALD. Harry Bell.

Mr. FULTON. Who was Harry Bell?

Mr. FITZGERALD. An associate of Fuller's out in Chicago.

Mr. FULTON. In what enterprise?

Mr. FITZGERALD. Well, I understand they were in the refrigeration business. [Laughter.]

Mr. FULTON. Cold storage, I take it. Did he describe what the business relating to refrigeration was?

Mr. FITZGERALD. No; I never discussed that with him.

Mr. FULTON. What did you discuss with him?

Mr. FITZGERALD. Oh, he just talked about Massachusetts in general.

Mr. FULTON. In other words, a casual conversation. Where had you met Bell?

Mr. FITZGERALD. Congress. That was my district, my precinct.

Mr. FULTON. Was Bell a Congressman?

Mr. FITZGERALD. No, no. He was an associate of Fuller's.

Mr. FULTON. Yes; but I mean where had you met him?

Mr. FITZGERALD. Chicago.

Mr. FULTON. But in what connection?

Mr. FITZGERALD. In no connection. Just I was introduced to him through J. Finkelstein.

Mr. FULTON. And who was Mr. Finkelstein?

Mr. FITZGERALD. He was an oil man, junk business.

Mr. FULTON. And how had you met him?

Mr. FITZGERALD. I had known him for years.

Mr. FULTON. Did he introduce to you Mr. Bell and say that he knew Mr. Bell?

Mr. FITZGERALD. Yes.

Mr. FULTON. He said he had business with him?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. Mr. Finkelstein was a reputable businessman, was he?

Mr. FITZGERALD. Yes, sir; for years.

Mr. FULTON. When did you next meet Mr. Fuller after that meeting which, I take it, resulted in no—

Mr. FITZGERALD (interposing). Here in Washington.

Mr. FULTON. When was that?

Mr. FITZGERALD. About a year afterward.

Mr. FULTON. 1939?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. What was he doing then?

Mr. FITZGERALD. He had a big housing proposition in Norfolk.

Mr. FULTON. Did he try to interest you in that?

Mr. FITZGERALD. No; he did not. He was very prosperous, he told me.

Mr. FULTON. Did you have any contact with him other than casual meetings?

Mr. FITZGERALD. No contact with him.

Mr. FULTON. Did you meet him more than once?

Mr. FITZGERALD. Just once.

Mr. FULTON. Where?

Mr. FITZGERALD. On Connecticut Avenue. I was standing in the door.

Mr. FULTON. You just met walking on the street, and he recognized you?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. What happened next?

Mr. FITZGERALD. I met his wife. She asked me if my name was Fitzgerald.

Mr. FULTON. She came to your office?

Mr. FITZGERALD. I had no office then.

Mr. FULTON. How and where did you meet her?

Mr. FITZGERALD. In the Mayflower Drug Store.

Mr. FULTON. She had never met you, had she?

Mr. FITZGERALD. I don't recollect having met her before.

Mr. FULTON. How did she recognize you?

Mr. FITZGERALD. I do not know.

Mr. FULTON. Anyhow, what happened when you met her in the drug store?

Mr. FITZGERALD. She told me that her husband was locked up for an unjust cause and he had a lot of property down in Norfolk that they were trying to take away from him. She wanted to know if I wouldn't speak to Governor Curley and interest him in his cause, because he was from Massachusetts. I told her I didn't know how to approach Governor Curley with anything like that.

Mr. FULTON. Was that the end of the discussion?

Mr. FITZGERALD. That was the end of the discussion. About 10 days afterward I got a letter.

Mr. FULTON. The letter that was introduced this morning, which you furnished to us?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. When he asked for your opinion——

Mr. FITZGERALD (interposing). I threw that letter aside. I don't know what became of it, but when I got that summons, I went through files and records and everything else.

Mr. FULTON. The next contact you had with Fuller was where?

Mr. FITZGERALD. While he was out.

Mr. FULTON. Yes; he came to see you, did he?

Mr. FITZGERALD. No; he didn't come to see me. I ran into him in the Mayflower Hotel the same day that I was sorry I introduced him to Governor Curley.

Mr. FULTON. Oh, you then took him up and introduced him to the Governor?

Mr. FITZGERALD. I did not take him up and introduce him.

Mr. FULTON. He took you up?

Mr. FITZGERALD. He was standing there with me. I was waiting to see the Governor.

Mr. FULTON. And that is how you happened to introduce him?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. In 1941, in October, did you go to Chicago?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. At that time you were secretary of this Engineers Group, were you not?

Mr. FITZGERALD. I had quit before.

Mr. FULTON. Do you know anything that was happeninug about that time in Chicago with respect to his criminal——

Mr. FITZGERALD (interposing). I was informed there was an old charge, an old case, against him. I did not know until a week before——

Mr. FULTON (interposing). In Illinois?

Mr. FITZGERALD. I did not know. He had a counsel on that who was out previously, whom I did not know, who went out with me.

Mr. FULTON. Counsel went out with you?

Mr. FITZGERALD. Yes; he was on the same plane. I was aboard the plane, and he got aboard the plane. I didn't know he was coming.

Mr. FULTON. What was his name?

Mr. FITZGERALD. Dennis Hughes.



Mr. FULTON. How do you spell the last name?

Mr. FITZGERALD. Hughes, H-u-g-h-e-s.

Mr. FULTON. And he was going out to Chicago to act for Fuller in this Illinois charge?

Mr. FITZGERALD. Yes, sir.

Mr. FULTON. What happened on that charge, and what took place thereafter?

Mr. FITZGERALD. All I know is that Fuller made restitution. He paid this insurance company I don't know how much money.

Mr. FULTON. How much was the amount you understood was paid?

Mr. FITZGERALD. A thousand dollars.

Mr. FULTON. \$1,000?

Mr. FITZGERALD. I wasn't a party to the transaction. There was \$1,400. That is all the money there was. I had a fight with him immediately after I returned because he told certain people that he paid to have that case fixed, that it cost him \$17,000.

Mr. FULTON. To whom did he tell that?

Mr. FITZGERALD. To another namesake of his.

Mr. FULTON. Who was that?

Mr. FITZGERALD. A man by the name of Fuller, and I was going to take a crack at him right there.

Mr. FULTON. You mean that Fuller said in your presence——

Mr. FITZGERALD (interposing). Not in my presence.

Mr. FULTON. Fuller said——

Mr. FITZGERALD (interposing). I heard from this party that he said that he paid \$17,000 to have that case fixed.

Mr. FULTON. Who was the party you heard it from?

Mr. FITZGERALD. James Fuller.

Mr. FULTON. In other words, James Fuller told you——

Mr. FITZGERALD (interposing). James Fuller, I said——another namesake of his.

Mr. FULTON. Where was this other James Fuller from?

Mr. FITZGERALD. Chicago, a contractor, who I learned later——

Mr. FULTON. And that James Fuller, being the second one, said that the first Fuller had told him that he had paid \$17,000 to fix his case?

Mr. FITZGERALD. Yes, sir.

The CHAIRMAN. That is all, Mr. Fitzgerald.

Mr. FULTON. One other question, I think. Did you ever send this telegram that was sent under your name, to the associate counsel of the committee?

Mr. FITZGERALD. No, sir.

Mr. FULTON. Did you ever see that?

Mr. FITZGERALD. No, sir.

Mr. FULTON. Did you ever receive any reply to it?

Mr. FITZGERALD. No, sir.

Mr. FULTON. Then if that was sent in your name by Fuller or someone, it was in effect passing off his name as being yours.

Mr. FITZGERALD. Yes, sir; if that was typewritten, the girl in the office can explain that.

Mr. FULTON. Have you any means of explaining why or how anyone would have forged your name to a telegram to us?

Mr. FITZGERALD. My name has been forged right along.

Mr. FULTON. But I mean this particular time.

Mr. FITZGERALD. I could not answer that question.

The CHAIRMAN. That is all, Mr. Fitzgerald.

Mr. Thach.

Mr. Thach, will you be sworn, please. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in the testimony you are about to give before this committee, so help you God?

Mr. THACH. I do.

**TESTIMONY OF ROBERT G. THACH, ATTORNEY AT LAW,  
WOODWARD BUILDING, WASHINGTON, D. C.**

**CONNECTION OF ROBERT G. THACH WITH ENGINEERS' GROUP, INC.**

The CHAIRMAN. Will you be seated in that chair, Mr. Thach, and give your name and connections to the reporter for the record, please?

Mr. THACH. My name is Robert G. Thach. I am an attorney at law. I reside in Washington at 2101 Connecticut Avenue and I have offices in the Woodward Building.

Mr. FULTON. Mr. Thach, you have requested an opportunity to appear and be heard. I wanted the record to show clearly with respect to you that you are an attorney of long standing and high reputation in the city of Washington and elsewhere. You have been general counsel, I think, for Pan American Airways, have you not?

Mr. THACH. I was admitted to the Alabama bar in 1913 and to the New York bar in 1920, after serving in France in the last war. I was one of the organizers of Pan American Airways and was vice president and general counsel of the company from its organization in 1927 or '28—I forget which—to the end of 1939.

Mr. FULTON. And you have also represented, during the past 10 or 20 years, a number of well-known corporations of standing in the community.

Mr. THACH. I have. I was a member of the law firm of Thach & Underwood, in Birmingham, Ala., which represented a large number of reputable clients, and then I was later a member of the firm of Whitman & Ransom in New York.

Mr. FULTON. A firm which I know to be one of the leaders of the bar there.

Mr. THACH. And later I went out into the practice for myself in New York, and later devoted practically all of my time to Pan American Airways Corporation.

Mr. FULTON. Would you tell us how you became connected with this matter, and the extent to which you were connected with it, bearing in mind the statements that I think you have heard today of a number of different individuals?

(Senator Joseph H. Ball, of Minnesota, took the chair.)

Mr. THACH. I welcome the opportunity to do so.

I first was introduced to Mr. Fuller in a group of other gentlemen in the month of August 1940. I had been consulted on the telephone by a man by the name of Paul H. Schoppel, of New York, with respect to a housing development in which he was interested at Newport News, Va., and the name of that company was the East Hilton Housing Corporation.

Mr. FULTON. That is the same one, Mr. Hurt, I think, referred to as being one that he——

Mr. THACH (interposing). I wouldn't know.

Mr. FULTON. I see.

Mr. THACH. At any rate, it was represented to me that this concern was actively engaged in the construction of some housing at Newport News, had broken ground on it, and Mr. Schoppel asked me if I could find out, through the Federal Housing Administration and through the Mortgage Corporation of the R. F. C., due to the fact that there was a recognized shortage of houses in that community, whether there would be any relaxation in the Federal Housing attitude toward financing projects of that sort.

Mr. FULTON. What do you mean by relaxation?

Mr. THACH. Well, I can't recollect exactly, Mr. Fulton, the point, but from this memorandum which I have dug out of my own files it seems there had been a previous limitation of 10 per week, and Mr. Schoppel said that the corporation in which he was interested was able and willing to build them at the rate of 30 a week if the machinery of the F. H. A. in Washington could be set up for that increase.

(Senator Truman resumed the chair.)

Mr. THACH. All that I did in the matter was that I went with Mr. Schoppel to the Federal Housing Administration and spoke with one of the executives there and received some encouragement on it, because they were worried about the housing situation in Newport News.

Then we later went over with this gentleman from the Federal Housing Administration had had a talk with Mr. George Williams over at the RFC Mortgage Company. That was the extent of the work which I did on the matter.

I happened to meet Mr. Fuller in this way, that after we had left the R. F. C. Mr. Schoppel asked me to come down to the Willard Hotel and meet some of his associates in this deal——

Mr. FULTON (interposing). At least you got away from the Mayflower.

Mr. THACH. Yes; it was the Willard, I am quite sure.

I went down there and met, I think, Mr. Charlie Upham, whom I had known of as being a reputable citizen (I think he had something to do with the American Road Builders Association) and Mr. Lee Bivins, from Norfolk, who was the State's attorney there. And Mr. Fuller was there. Mr. Fuller was introduced to me as the man who was actually on the job, running the construction work.

I think that 3 or 4 days later, or maybe a week later, Mr. Schoppel was back in town again, and again I met several of the group at the Willard for a couple of drinks and conversation, but not about any particular business. That is the only time that I ever met Mr. Fuller up until the time when he approached me in the latter part of June.

Mr. FULTON. You didn't know, then, that subsequent to that meeting and before your second meeting, he had been incarcerated in prison?

Mr. THACH. Oh, no; I never had any idea of it, and I never knew anything about him at all, except that he was introduced to me by Mr. Schoppel as being a capable, efficient fellow who was running this housing project in Newport News.

Mr. FULTON. Suppose, then, that you tell us your next meeting and just go on in your own words and give us the whole story as you recall it.

Mr. THACH. I will try to give it to you as briefly as I can.

I underwent a very serious operation in March of 1941 and was in the hospital and confined to my house for about 2 months. While I was still convalescent, Mr. Fuller called my office several times and told my secretary that he had some business that he wanted to speak to me about, that he had met me a year ago through Mr. Schoppel. Finally, I requested my secretary to ask him to call me at my apartment, which he did, and he told me that he had some very important business that he would like to consult me about, if I were well enough, that he understood that I had been seriously ill, and that he would like to make an appointment with me in the next few days.

I don't remember the exact number of days after he initially contacted me on the telephone that I met him, but I know that I was still not feeling very well, and I made an engagement for him to meet me at my club, the Metropolitan Club. He came there at that time and had a number of papers—technical reports chiefly, and also a list of some of the people that he had told me were interested in this project with him. He had been up in New York in a conference with Mr. Tom Simmons, of whom I had heard, although I didn't know him personally, who was represented by Mr. Rayford Alley. He said that Mr. Alley had represented Mr. Simmons for 20 years and that they had been in this meeting with some of the representatives of the Olin interests from East St. Louis, who had financed the development of what was known as the Kalunite process for making alumina out of alunite and other aluminum-bearing clays. He asked me if I would be interested in representing this group, along with Mr. Alley and along with another attorney who represented him in New York, Mr. George Eichelberger, in the negotiations to the end of acquiring an interest from the Olins in the Kalunite process. He said that the Olins were very wealthy, influential people, but they had secured an enormous amount of munitions contracts and were so engaged with that that they were not inclined to give this Kalunite development the attention that Mr. Frank Eichelberger, its chief engineer and, I think, its president at that time, felt that it deserved, and that he thought that it was a great opportunity for a younger and more aggressive group of people, a large number of whom he had already enlisted interest from to attempt to purchase an interest in this company.

He submitted to me at that time, or at one of the subsequent meetings shortly thereafter, a letter which was subsequently verified as being genuine, which had been signed Tom Simmons—T. W. Simmons, of Los Angeles—and the Olin interest or Kalunite, Inc.

I told him that I was reluctant to take on the work because I was still convalescent. I could see that if the thing were going ahead at all, it would require an enormous amount of time, and my first answer to him on accepting it was "No."

Then he introduced me to Frank Eichelberger and to George Eichelberger, and he took me to see Mr. Reynolds, who was the president of the Reynolds Metals Corporation, who, in a brief conversation, evidenced quite a bit of interest and belief in this process. Then I got in touch with my old friend, Rayford Alley, and Rayford Alley had conducted these negotiations between Simmons and the Olins, at which Fuller was present, I understand.

I finally told Mr. Fuller that I would be willing to undertake the work, provided he paid me a substantial retainer, and I named the



figure of \$5,000, which he said, "Well, that's reasonable enough. I don't know whether I will be able to pay it all in one lump, because I may have to assess some in my group to cover the expense of this proceeding, but I will be able to make you a substantial payment in 2 weeks."

I have here a list, of which I gave you a copy, of the payments that were made me under that retainer.

Mr. FULTON. They total how much?

Mr. THACH. They total \$4,594, but my secretary and I are both under the impression that one credit—this last credit on there of \$294, this odd figure—was for reimbursement of some out-of-pocket charges, such as long-distance telephone calls and travel expenses, or something of that nature, because I think the real amount that was paid on the bill was \$4,300.

Mr. FULTON. And were you also to receive a participation in the syndicate if it were successful?

Mr. THACH. Well, at that stage of the game, of course, the manner in which the thing could be worked out was very nebulous. I confirmed the fact that the Olins were interested in selling this interest. Both Mr. Simmons and myself, Mr. Simmons having devoted a lot of time to these negotiations, believed that the proposition as originally set up was not financially sound, that a better deal could be made with the Olins, and, as a matter of fact, 2 months or 10 weeks were consumed in various negotiations both in East St. Louis and in Washington, and I think once or twice in New York, toward a modification of the deal.

I told Mr. Fuller at the start that if the deal was successful and involved as much time and effort as I thought it would require if it did work out, I would expect additional compensation.

Mr. FULTON. To be arranged at a later time.

Mr. THACH. To be arranged in a manner mutually satisfactory to both of us.

Mr. FULTON. And depending on the extent of the success of the deal.

Mr. THACH. That is right. He told me at that time that if it were successful, it was his intention to give me a portion of his stock in either Engineers Group or in the new company to be formed, if a new one was formed, that carried out this deal.

Mr. FULTON. That is the basis, then, I suppose, of the statement he made that you were a stockholder in his group.

Mr. THACH. Mr. Alley, during the course of our constant negotiations on the Kalunite deal, entered into these discussions with Mr. Fuller about these housing contracts. I had no part in the discussions. I had no knowledge of what the transactions involved. I didn't know what the deal was except that I knew that such discussions were going on, because at various times when I had met Mr. Alley and some of the Olin representatives and Mr. Simmons and others at the hotel or at my club or at my office, I knew that they were discussing some other business.

Mr. FULTON. Mr. Alley testified that you were present for a period of 3 or 4 hours one evening while the deal was being threshed out on the housing.

Mr. THACH. That is not accurate. Mr. Alley sent me a wire which he read into the record, which is correct.

Mr. FULTON. I was talking about the testimony he gave here of your having been present for 3 or 4 hours.

Mr. THACH. I am leading up to that, Mr. Fulton. He sent me this telegram, which I replied to just as he read it. He wired to me, I received it, and that is my reply to him as I sent it.

Mr. FULTON. In that telegram, you expressed the position that you are counsel for the company and that you are not director, because you didn't want to take both offices.

Mr. THACH. Well, Mr. Fuller told me when I called him up about this thing—I said, "Well, I have never agreed to serve as a director or as general counsel or as an officer of your company, and Mr. Alley tells me that you have informed him that I have or that I am," and I said, "It is not true and I don't care to serve in that capacity. What is your explanation of his statement to me?" This wire was meant to convey Fuller's explanation to me that he had contemplated electing me to these offices, but I was never elected because I had told him at some time or another when he asked me about it, that I didn't care to be.

Mr. FULTON. That is, director and secretary?

Mr. THACH. That is right.

Mr. FULTON. Now as to counsel—you were counsel?

Mr. THACH. I was counsel for them, definitely; accepted a retainer as counsel in this Kalunite negotiation and acted as such in conjunction with Mr. Alley and Mr. Eichelberger for the entire period that the negotiations continued.

Mr. FULTON. But the question I was raising was whether you were counsel for a limited purpose, as I think your testimony today indicates your thought was in respect to Kalunite, or whether you were what your telegram would appear to indicate, counsel for the company, just as you were once counsel for Pan-American, you see.

Mr. THACH. I was never counsel for the company, and there were innumerable transactions which I knew nothing about. I had never acquainted myself with the corporate set-up. I had never been shown the books. I had never been asked to pass on the books.

Mr. FULTON. I was just trying to develop it. Your position is that you were only a limited counsel for a limited thing.

Mr. THACH. That was my retainer. During the course of that retainer, Mr. Fulton, I saw quite a bit of Fuller—during the course of these negotiations. They were frankly quite absorbing. These conferences would run sometimes 2 or 3 days at a time, into the night, and I saw quite a bit of Mr. Fuller during the period of those conferences. They would be solid 1 week and then if most of it would be done by telephone I would have lots of conferences with Mr. Alley by long distance in New York. I have talked with Mr. Simmons out on the coast. During the course of those negotiations Mr. Fuller asked me about several other odds and ends, none of which I did any legal work or assumed any responsibility in. I can think of one at the moment as an example. He had some negotiation up in Philadelphia and asked me if I could recommend him to a high-class lawyer up there, which I did—one of my old friends who stands at the top of the bar in Philadelphia—and I referred him to him. I only received a letter, I think it was yesterday, in which the attorney said that Fuller had advised him back in November that the matter was closed and asked him to send a bill and

he never heard from it. I suppose I will have to pay that. But the next specific thing that I did for Fuller was in conjunction with some business he had with the Eisman Magneto Corporation, and I had known Clarence Brown, the president of the Eisman Magneto, during the course of my connection with Pan-American Airways as being one of the top men in the aviation accessory business, and Fuller introduced me to Clarence Brown and told me that Clarence Brown had some very serious problems with respect to priority ratings, that he had an enormous inventory tied up in process, and a good many war orders, but the war orders were mixed with commercial orders and that he had simply been blocked in his production and it might have some very serious effects on the company; it might not be able to survive.

I told Fuller that I didn't think I was qualified to handle—that I never had handled any priority matters, and that it involved a lot of detailed preparation of schedules and analyses of inventory and that sort of thing, and so I told him that I knew that Harlan & Hardy had, so I introduced Fuller to Jack Hardy, a very reputable lawyer here, who used to be Assistant General Counsel in the Treasury Department, and we had a meeting in Harlan & Hardy's office with Mr. Brown and one of his staff and went over the preliminaries there. I left before the meeting was over, and subsequently Mr. Harlan or Mr. Hardy wrote to Mr. Brown for additional information and received a letter to the effect that the arrangements between himself and Engineers Group had not been found practicable to be worked out, and so that they would continue to pursue the matter themselves, which they did so far as I know. I know I didn't speak to anybody about it except Harlan & Hardy, and I don't think they ever contacted the proper person in the Government because I don't think they ever got that information.

Mr. FULTON. Then, without going into great detail about the fuel injector, because that is covered in this material that you have submitted—

Mr. THACH. Yes; I will be glad to give you a statement on that.

Mr. FULTON. I probably might just say that Fuller was interested in the possibility of getting another company.

Mr. THACH. He had a definite option from Eisman Magneto or Eisman Magneto subsidiary, the Airward Corporation, which was confirmed to me by Clarence Brown, the president of the company, and I made quite a little investigation.

Mr. FULTON. That is what I meant without going into the detail of it, he was trying in effect to interest another client of yours, Willys-Overland, in buying the fuel injector and developing it, I take it.

Mr. THACH. He mentioned it to me because he knew that I knew something about aviation, and one of the principal demands for the fuel injector is in aviation, and it was I who asked him if I could present the project to the Willys-Overland Co. to see if they might be interested in its manufacture. So I got all the technical data together on it and I did present it to the Willys-Overland Co. and the Willys-Overland Co. was interested in the device, and so was everybody else that I talked to. I think the device has a lot of merit to it and considerable money was spent in its development, but there was no way that the Willys-Overland Co. could consider it on the basis that it was available, because it involved a capital expenditure, and so finally the



Willys-Overland people informed Mr. Fuller directly and through me that they were no longer interested.

Mr. FULTON. Then, very briefly, just mention the nature of the other transactions, if any, that you have knowledge of.

Mr. THACH. Well, there were two other transactions that I had anything to do with, and one of them was a project for the building of a steel plant in Jersey, for which I was given this brochure and a list of the people in it. It so happened that the chief technical consultant in the matter has been a lifelong friend of mine, Mr. Frank Estap, in New York, and so I was immediately convinced of the soundness and genuineness of the project, because Frank Estap stands at the very top of steel consulting engineers of the country.

Mr. FULTON. Nothing ever came of that so far as you were concerned?

Mr. THACH. I would like to state this fact, that I told Mr. Fuller that I was terribly busy and that I couldn't undertake to do all the detailed work on it, and if I were going to handle it, that I would want Harlan and Hardy associated with me in it. At the same time, they took up with me another project, which was the Eastern Shipbuilding Co. at Boston, Mass., which had already—

Mr. FULTON (interposing). Well, those transactions—

Mr. THACH (interposing). Let me finish, if you will—who had already discussed their problem with the Maritime Commission and with the Reconstruction Finance Corporation, but their chief designer—

Mr. FULTON (interposing). That was that concrete barge, wasn't it, in which the Maritime Commission was not interested at the time?

Mr. THACH (continuing). Prof. George Owen, who was the director of naval architecture at the Massachusetts Institute of Technology, had changed the plans from a barge to a shallow draft, a concrete boat, and they wanted to see if, due to the declaration of war, there might be some change in disposition on the part of the Maritime Commission and the RFC defense plants. I went with Mr. Monroe, of the firm of James A. Monroe & Co., who are quite prominent construction engineers in Boston, to talk to Mr. Foster, I think it was, in the Defense Plant Corporation, and later went with Mr. Harlan and talked first to Admiral Land and afterward to two of his technical assistants, as to whether there was any change of disposition on the policy involved. We spent quite a bit of time on it and had several subsequent conferences with the people from Boston, who stand right at the top up there. You can see the personnel. And at the present time I have been advised by the people in Boston that they think for the time being, at least, unless they make some change in their design, that they don't want the matter pressed any further.

Now, in accordance with an agreement between Mr. Fuller and Messrs. Harlan and Hardy and myself, we were paid a retainer of \$500 on each of those matters, of which I received \$250 of the \$500, each, making a total of \$500. I just want that to appear on the record because I want every single act of my connection with this outfit in the light of subsequent developments bared.

Mr. FULTON. You had discussed these at some length in a discussion with me which can be reviewed by you and which will cover it for record purposes. I didn't want in any way to restrict your statement, and yet as I understood it from you those transactions are



transactions that you were hired on as individual matters, and you regarded your connections as being special attorney in each.

Mr. THACH. That is right.

Mr. FULTON. With a limited responsibility only for each transaction.

Mr. THACH. That is correct.

Mr. FULTON. And you never, as I understand you, thought of yourself as general counsel for the company.

Mr. THACH. That is right. I was subsequently informed that I had been so held out by Mr. Fuller, and that was the time when I finally told him that I couldn't handle it.

Mr. FULTON. And Mr. Alley, of course, was taking the position that he thought and believed that you had conveyed that impression to him, that you were general counsel.

Mr. THACH. That is entirely erroneous, and Mr. Alley's negotiations with Mr. Fuller with respect to these other transactions that he described were taken up completely on his own initiative as a result of his contract with Fuller in Kalunite negotiations.

Mr. FULTON. As to the other phase—

Mr. THACH (interposing). I wish to put something else in the record, that Mr. Alley left the impression that I had left the impression with him that I knew something about the business and finances of the company, which I did not to any extent whatsoever. I told Mr. Alley that that was a business arrangement which, after all, he knew as much about, as to Fuller and Engineers Group, as I did; that I was representing them in this Kalunite negotiation; that they hadn't lived up to the letter of the commitment made to me about the payment of my fee, but that whenever I had needed the money badly enough and had asked for further payment, which I was entitled to under the terms of my agreement with Fuller, that he had somehow or other gotten the money for me in a reasonable length of time.

Mr. FULTON. As to that telegram that you sent Mr. Alley, do you have that there?

Mr. THACH. Yes.

Mr. FULTON. You say, "I am surprised at information you received from bank and would be interested in learning in what respect check not good."<sup>1</sup>

Mr. THACH. May I explain that?

Mr. FULTON. Yes.

Mr. THACH. Mr. Fuller had told me that his bank had given out satisfactory credit information as to the affairs of the company and that it had been acted on by several people with whom he was doing business, and during the course of this Kalunite negotiation I hadn't taken for granted the interest of some of these other people in it. I had actually talked to Mr. Henry Holt over long distance; I had met him here in Washington, and Mr. Holt had been vice president of Bohn Aluminum & Brass. I knew he was a man of substance. I heard Mr. Fuller talking on long-distance telephone to Mr. Kuck in Richmond, who was vice president of Reynolds Metals. He told me that while he didn't have a lot of capital—he was quite frank about that in saying that he wished he had more, that he didn't have a lot—that he was amply financed and could get more financing.

<sup>1</sup> See Exhibit No. 501, supra, p. 5109.

Mr. FULTON. In other words, that indicates why you were surprised to hear that the bank said the check was not good.

Mr. THACH. It was because—as a matter of fact, I think I heard Mr. Fuller repeatedly state to people in the course of the Kalunite negotiations—I don't say repeatedly, but several times—"Draw a report on the Engineers Group from our bank."

Mr. FULTON. Now, the next thing you say in this telegram is, "I am counsel stockholder."

Mr. THACH. That is right.

Mr. FULTON. Were you a stockholder?

Mr. THACH. No; I was not, and I never became a stockholder, but I worded it that way because I wanted to lean on the side of telling the accurate fact about it. Mr. Fuller had told me, as I told you, that if the Kalunite deal was successful that he purposed to give me some of his stock in the company, or in Engineers Group, as additional compensation for my services. I didn't want Mr. Alley in the face of that promise on Mr. Fuller's part to feel that I was trying to negative my connection.

Mr. FULTON. But as a stockholder of a company of limited stock holdings, such as this one was, you would naturally be assumed by Mr. Alley to have some knowledge of the capitalization or financial structure of the company, especially if you were counsel for the company.

Mr. THACH. I assumed that he had discussed all that with Mr. Fuller, because they were making the deal. I wasn't in on the discussion and knew nothing about the transaction, except that there were discussions going on of that character. The latter part of the wire—

Mr. FULTON (interposing). The latter part of the wire tells him to talk to Fuller.

Mr. THACH. Well, the latter part of the wire stated exactly what I felt at that time, which was that I was confident that Fuller and Engineers Group were in position to and would discharge any obligations they would undertake about this particular transaction. I had no doubt of it. He took me into camp completely on that, on his operations, and I never had any occasion to investigate him.

Mr. FULTON. That is all.

The CHAIRMAN. Mr. Thach, have you anything you want to add to that?

Mr. THACH. Just this, Senator, that in my whole dealings with the fellow, up to the time when I finally decided that I didn't want to handle any more business for him, there wasn't anything in his demeanor to me or in his dealings with me or in the transactions that I was concerned with that gave me any inkling that he was doing anything except legitimate business for a laudable purpose. He was an indefatigable worker. The fellow would work 16 or 18 hours a day. He didn't dissipate. He was constantly absorbed in that business, and without having any responsibility for anything except the matters that I was handling, I had no way even to define it—I was completely shocked when I was told finally in the latter part of January, I think it was, by Mr. Donald Smith and Mr. Underwood that they had found out that he had a criminal record, and not only that they found that out, but that he had put out checks that were bad and had incurred obligations which he didn't have any chance to make good. That is

about the whole story, except I would like to add this, I don't think I have seen Mr. Fuller since about the 1st of January, shortly afterward.

Senator BREWSTER. Wouldn't you, Mr. Thach, think that Mr. Alley was warranted in inferring that you were general counsel for this concern from this wire?

Mr. THACH. No, sir.

Senator BREWSTER. "I am counsel stockholder." Later on you say, "I was never elected as secretary director because I had expressed preference not to be officer and director and at the same time counsel."

Mr. THACH. That is right.

Senator BREWSTER. Wouldn't there be an inference that your connection was of a somewhat general character?

Mr. THACH. No, sir; I don't think so, because Mr. Alley knew—you see, I had been associated with Mr. Alley since its inception in this Kalunite negotiation, and Mr. Alley was conducting these other negotiations with Mr. Fuller which Mr. Alley was bound—

Senator BREWSTER (interposing). When you associate the term counsel and stockholder and "I am not an officer or director because I didn't want to be both an officer and director and at the same time counsel," those are all certainly of a character that unless someone were familiar with all the circumstances—

Mr. THACH (interposing). He was.

Senator BREWSTER. He evidently wasn't because he had the impression you were something else.

Mr. THACH. What I meant to convey to him in the wire and what I did tell him verbally, sir, was that I was only representing the company in this Kalunite negotiation, and what I meant to convey there was that I was of the company's counsel. Mr. Fuller had other lawyers engaged on other projects. He had Mr. Donald Wakefield Smith doing work for him, and while I don't know the gentleman's name, I was informed later that he had another Washington lawyer who was advising him on some of these housing matters.

Senator BREWSTER. What was his name?

Mr. THACH. I don't know, sir. But I was informed by one of the employees in the office.

Senator BREWSTER. That he had some other?

Mr. THACH. That is right; and he had Mr. Eichelberger in New York. I know Mr. Alley wouldn't tell anything intentionally other than the truth, and I don't think, therefore, that Mr. Alley was in contact with the other attorney, whoever he was. But I had nothing to do with the preparation of the papers, and never saw one of the papers, or any portion of any of the papers. I didn't know what the transaction was or what site it involved, what the deal was, or anything about it. I knew that there was discussion going on between Mr. Alley and Mr. Walsh, who is a high-class fellow, and Mr. Fuller regarding their clients who were in the construction business. But I also want to add this to my statement: That at no point in the Kalunite negotiation, which was strictly a business negotiation as between the owners and the proposed purchasers, did I ever consult anybody in the Government about any phase of it; nor in any of the other transactions that I was specifically trusted with, except as I have stated here. In other words, on the fuel-injector matter I have never consulted anybody in the Government, and on the steel plant I did consult some person in the Government. I

consulted Mr. Carl Adams, who is the head of the Steel Division of the War Production Board, and Mr. Adams told me that whatever merit that design had, it was impossible for it to be considered at the present time because of the shortage of steel-mill machinery. I think that is about all I can contribute to this. I would be glad to answer any questions and I would be glad to put in a written statement, if you would like it.

Mr. FULTON. I thought that would give you an opportunity more nearly to state for the individual points exactly what you wanted to and we will put it into the record at a later time. In other words, you will have a chance to look over today's record and then make whatever statement you care to.

Mr. THACH. Thank you very much. I would welcome that and very much.

The CHAIRMAN. That is all, Mr. Thach. The committee will meet tomorrow morning at 10:30 and we will hear Admiral Land and Commissioner Eastman.

(Whereupon, at 4:35 p. m., the committee recessed until 10:30 a. m., Thursday, April 23, 1942.)



# INVESTIGATION OF NATIONAL DEFENSE PROGRAM

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THURSDAY, APRIL 23, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE INVESTIGATING  
THE NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:36 a. m., pursuant to adjournment on Wednesday, April 22, 1942, in room 318, Senate Office Building, Senator Harry S. Truman presiding.

Present: Senators Harry S. Truman (chairman), James M. Mead, Clyde L. Herring, Ralph O. Brewster, Harold H. Burton, Joseph H. Ball.

Present also: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order.

I wish to make a request of the committee. Mr. Jones wrote me a letter and sent me a statement on the magnesium plant at Las Vegas, Nev., with the request that his statement be placed in the record. If it is not objected to, I would like to place his letter and the statement in the record ahead of Admiral Land's testimony, and that would require, of course, further hearings by the committee on the subject.<sup>1</sup>

(The letter and statement referred to were marked "Exhibit No. 532" and are included in the appendix on p. 5369.)

The CHAIRMAN. Admiral Land, you have been requested to come to the committee and discuss the shipping situation. I believe you have a statement which you have released which you wanted to start. Proceed in your own way.

## TESTIMONY OF REAR ADMIRAL EMORY S. LAND, CHAIRMAN, UNITED STATES MARITIME COMMISSION

### PROGRESS OF MARITIME COMMISSION SHIPBUILDING PROJECTS

Admiral LAND. Thank you, Mr. Chairman and gentlemen.

Contracts for the 23,000,000 deadweight tons of merchant ships which President Roosevelt has set as the 1942-43 wartime goal for American shipyards have now been awarded as of April 2, 1942.

The contracts call for delivery into service of nearly 2,300 ships, either cargo vessels or tankers, before the end of the 2-year period, the greatest merchant-ship building program in world history. This program does not include more than 700 other craft under Maritime Commission order, such as tugs, wooden barges and small power boats, for which no tonnage is figured.

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<sup>1</sup> Prior hearings on Basic Magnesium, Inc., appear in Hearings, Part 13.

Present schedules call for delivery of nearly 750 ships in 1942 and the remainder in 1943. The average scheduled production for the 2-year period is about 3 ships a day. Delivery of 1 ship a day was begun in February and the peak of production is expected to be reached late this year.

Approximately 1,500 of these vessels under contract are emergency cargo carriers of the Liberty type. The remainder are C-types and tankers of various Maritime Commission standard designs, believed to be the finest merchant ships ever constructed. The total of tankers under contract is 313.

The Liberty ships are primarily for wartime emergency uses, while the standard designs are intended as replacements for worn and obsolete ships now in the American merchant marine. All the new ships are being equipped with special war and defense features.

In addition to contracts for ships, the Commission has authorized construction of 16 new shipyards under Government financing. Two others have been built under order by the British Government and will build Liberty ships when their British contracts are completed. Additional ways in existing yards also have been authorized, so that the capacity of American shipyards capable of building ocean-going vessels of 400 feet or longer has been increased about 500 percent in the last 2 years. Merchant ships of all types are being produced in approximately 60 shipyards on all coasts and the Great Lakes.

Expansion of the American merchant-ship program since 1937, when the Maritime Commission was established, is as follows:

The original peacetime program adopted in 1937 and put into operation in 1938 called for 50 ships a year—a total of 500 in 10 years.

In 1939 this was expanded to 100 ships a year; in 1940 to 200 ships; in 1941 to 400. Schedules for 1942 call for about 750 ships and for 1943 approximately 1,500.

Up to this time the expanding schedules have been maintained. Future production, under the accelerated schedules, depends upon three principal factors:

1. Availability of materials, principally steel, promptly when needed.

2. Adequate supply of skilled labor.

3. Productivity of the individual, either worker or executive, which is dependent on morale, and no slowdowns or work stoppages.

As a matter of Commission policy and on the basis that we are charged with the responsibility of constructing 23,000,000 deadweight tons of shipping in '43, the Commission has recently completed the placing of contracts with various shipbuilding organizations covering this entire amount of tonnage. It is the considered opinion of the Commission at the present time that no new shipyards should be established, that all the energies of the Commission and the contractors must be concentrated on the completion of the contracts which have already been awarded. We feel that the awarding of further contracts for vessel construction would not result in increased production. This is primarily due to the vast amount of steel, machinery, and auxiliary equipment needed to complete the present contracts, as well as the all-important feature of securing adequate supervisory personnel for the existing yards. There is a real danger that further expansion of the shipbuilding program would result in a serious dilution of management and supervisory personnel.

Those, Mr. Chairman, represent the actual contractual basis and the general policy adopted and approved by the Maritime Commission.

The CHAIRMAN. What we are particularly interested in, Admiral, is the progress of the present construction program, and we are also particularly interested in the comparative showing made by the different shipyards. We are wondering if you have a rating policy on these shipyards so that those who are doing the job in the proper way can get credit for it and those who aren't can get kicked for it.

Admiral LAND. We have such a program, Mr. Chairman, and this curve shows for the 312 Liberty ships the stepped-up program. You will see that so far as that program is concerned, it is practically on the projected curve. That represents all yards. When you break it down into its component parts you find there is a tremendous variation in the individual yards, and each yard is shown on the sheets attached.

The CHAIRMAN. Have you enough of the copies to distribute to the committee, Admiral?

Admiral LAND. I think so.

While the over-all curve of the stepped-up projects has been met in general by the 9 yards involved, there are marked discrepancies between the productivity of the individual yards. Some are behind, some are ahead, and that is best shown by our productivity charts, percentage of completion of contracts as a whole, of which I have 2 exhibits which I should be glad to distribute to the committee. It is based on points to complete a contract on the basis that a ship represents 100 points; 43 ships would be 4,300 points, and then the progress is shown commencing in October 1941, and brought up to April 1, 1942, the points accomplished by the 9 yards concerned. It speaks for itself. It is not ideal. It is not 100-percent accurate. It is subject to criticism, particularly from those firms who are down at the tail end of the list, but it gives a fairly good over-all picture of the present productivity of the individual yard.

You will note that there are fluctuations from month to month in the over-all progress. This cannot be helped because in some cases more progress is made by one yard and its own progress is not on a fixed percentage curve. Those are variations due to many things that go into the difficulties of shipbuilding, particularly the last 10 percent. So that you have considerable difficulty in making a too-accurate comparison, but it nevertheless represents a reasonable comparison between the nine yards concerned of what is being done from month to month.

(The charts referred to were marked "Exhibits 533 and 534" and are on file with the committee.)

The CHAIRMAN. What, principally, is the cause of the difference in the standing of these various yards? I notice a wide spread here.

Admiral LAND. You have to go back to the beginning. Those yards that built what we call ordinary shipbuilding ways could get into operation much more rapidly than those yards which built ways in docks. The primary cost of the shipway is much less; the primary cost of the dock is much greater. It is hoped and expected that those who are building ships in docks will ultimately catch up in part with the progress made because it is axiomatic that it is simpler to build a ship in a graving dock than it is on a shipway. There is no inclination to

the ways, and it is an over-all simpler problem after you once get started. The other reasons——

Senator BREWSTER (interposing). Before you leave that one, how many of the places are building ships in docks?

Admiral LAND. Portland, Maine, and one concern in Richmond, Calif.

Senator BREWSTER. Those were British contracts?

Admiral LAND. No, sir; the British contracts in Maine, yes, sir, but Richmond, Calif., is the new project. It has nothing to do with the British.

Senator BREWSTER. Well, the South Portland yard which you show here is not building in docks, is it? They are building on ways there.

Admiral LAND. They are building for the British, in dock.

Senator BREWSTER. Does your comparison include the yard which is building the British boats, do you know, in South Portland? It does not?

Admiral LAND. No.

Senator BREWSTER. So that the comparison which you have here as far as South Portland is concerned is the yard which is using the typical ways for construction.

Admiral LAND. That is not in this picture, that is, the British yard is not.

Senator BREWSTER. Will you answer?

Admiral LAND. We have comparisons of those, but that is correct as you stated it.

Senator BREWSTER. Have you a comparison on the two British yards, one was at South Portland and the other was——

Admiral LAND (interposing). At Richmond.

Senator BREWSTER. Richmond, Calif.?

Admiral LAND. Yes.

Senator BREWSTER. Those at Portland are known as the Bath-Todd yard?

Admiral LAND. Yes.

Senator BREWSTER. I am a little sensitive, perhaps, Admiral, but I don't like to have Maine get any more of a black eye than is essential. What is the record of the Bath-Todd yard?

Admiral LAND. The Bath-Todd versus the Richmond, Calif., on the British contracts? We can give you that record; I haven't got it here. Admiral Vickery says it is 4 for Todd and 16 for Richmond on the British contracts, delivered ships.

Senator BREWSTER. That is on delivered ships?

Admiral LAND. Yes, sir.

Senator BREWSTER. What would it be on the point basis?

Admiral VICKERY.<sup>1</sup> About 50 percent.

Senator BREWSTER. Bath-Todd is about 50 percent of the Richmond yard?

Admiral VICKERY. Yes, sir. That is the recent progress in the last month. They were doing just 50 percent what they were doing on the west coast.

Senator BREWSTER. Both of them starting from scratch?

Admiral LAND. Yes, sir; at the same time.

Senator BREWSTER. Are they both using the docks?

<sup>1</sup> Admiral Howard L. Vickery, Vice Chairman, Maritime Commission.



Admiral VICKERY. No. The west coast is using the ways and the Maine yard is using docks.

Senator BREWSTER. Projecting completion, what is your present expectation on those two contracts?

Admiral LAND. They will never catch up in the Maine yard because there are already 16 delivered in California and they can't catch up.

Senator BREWSTER. I think that is obvious, but Pete Newell told me that he didn't expect to be as far behind.

Admiral LAND. That is true.

Senator BREWSTER. On the finish. I think he thought he would get in with only four or five ships behind on the finish.

Admiral VICKERY. They are delivering three ships apiece next month. Next month Kaiser will probably deliver four against Pete's three.

Senator BREWSTER. Have you projected the thing to completion now?

Admiral VICKERY. Yes, sir.

Senator BREWSTER. And what do you anticipate on those two yards?

Admiral VICKERY. Kaiser's yard will be finished by August of this year and Pete's yard will be finished about December.

Senator BREWSTER. Three to four months. I guess that is the figure he used instead of three or four ships, that he would be 3 to 4 months behind.

Admiral LAND. That is correct.

Senator BREWSTER. You feel that things are going better there as far as the Bath-Todd yard is concerned?

Admiral VICKERY. Improved, but not satisfactory.

Senator BREWSTER. Now the other yard, of course, is at the bottom of the list.

Admiral VICKERY. Right.

Senator BREWSTER. Does this purport to be an entirely fair comparison of what should be reasonably expected?

Admiral VICKERY. Yes, sir.

Senator BREWSTER. Of course, it is a terrible discrepancy between practically 3,000 points for the top yard, which is the Oregon yard. Is that a Kaiser yard?

Admiral VICKERY. Yes.

Senator BREWSTER. And the bottom yard, which is South Portland, which is 337 points.

Admiral VICKERY. The thing you must take is the monthly record, because the Portland, Oreg., yard started in January and the South Portland yard started in April, and therefore you must make a comparison of their monthly progress on it. Of course, you can't look at the totals because the South Portland yard was running on a 6-way basis, where the Portland, Oreg., yard was running on an 11-way basis, but they ought to make a half ship per month in the yard, and to make a half a ship per month in a yard requires 50 points; if they did 3 ships per month on a 6-way (they should do 3 ships per month) they should make progress of 300 points per month, and in the Portland yard they should make a progress of 550 points per month.

Senator BREWSTER. With nine ways?

Admiral VICKERY. With 11 ways.

Senator BREWSTER. You mean Oregon, now.

Admiral VICKERY. Oregon; yes, sir.

Admiral LAND. The percentage gain is the important thing there, because you have a different number of points, because we start off with 100 points to a ship. If you have 43 in one case you get 4,300 and if you have 16 you get 1,600.

Senator BREWSTER. In other words, each month, taking those two yards, the top and the bottom, one should show a gain of 300 points a month and the other 550 points a month. Is that right?

Admiral VICKERY. That is right.

Senator BREWSTER. They also have a difference of 4 months in the time of operation. Is that right?

Admiral VICKERY. That is right, but it wouldn't make any difference about their monthly gain.

Senator BREWSTER. No; not on the comparison on the month, but I am thinking now of the total.

Admiral VICKERY. That is correct.

Senator BREWSTER. I am afraid that the press might not be too discriminating and they might simply point out that one yard had 3,000, the other 300, and that certainly is a terrible indictment both of the yards and I would even say of the Commission if that were all that were to be said, but I gather it isn't all that is to be said.

Admiral VICKERY. Take the Richmond yard there. They started with six ways also and they started the same day that Newell's yard did. They delivered four ships out of that yard, and Newell hasn't launched a ship yet out of the South Portland yard and they were both six-way yards when they started.

Senator BREWSTER. What has been the report of your resident engineer, Mr. Wall, as to the reasons for the difficulty there at South Portland?

Admiral VICKERY. For instance, they should get 1,800 tons of fabrication a week and 1,800 tons erection. The best they have done is 1,200 tons in fabrication and 390 tons' erection. If they hit their schedule they would have to do that. They haven't enough men on the job. The yards are not as well laid out as the west coast yard.

Senator BREWSTER. What's that?

Admiral VICKERY. The yard is not as well laid out as the west coast yard. They are not using preassembly methods as much as the west coast yard. They just haven't the ideal production.

Senator BREWSTER. I heard a story of 90 or 100 cars of material have been shipped up and not even unloaded.

Admiral VICKERY. They have all had steel trouble at some time, but they had 120 cars there the last day I happened to be up there. They have plenty of steel.

Senator BREWSTER. I mean they haven't got it off the cars.

Admiral VICKERY. That is up to them. As a matter of fact, that isn't quite accurate, because when you throw 120 cars into a shipyard in one day you can't expect to have them all cleared the same day. They are actively at work unloading the cars.

Senator BREWSTER. Of course, what I take it the committee is interested in finding out is the reasons, and I don't want to take on this particular spanking job, but it seems to be a rather conspicuous example.

The CHAIRMAN. It is a Maine child, Senator, and I thought you ought to spank it if it needed to be spanked.

Senator BREWSTER. That is right. I think the responsibility has to be fixed as definitely as possible as between the various ones concerned. There is a lot of fuss about your resident engineer.

Admiral VICKERY. Mr. Wall had nothing to do with the shipbuilding program. All he had to do was with the building of the facilities and nothing whatever to do with the building of ships.

Senator BREWSTER. He has no responsibility of any character?

Admiral VICKERY. He has no responsibility in the matter of shipbuilding at all. He only is a civil engineer who has responsibility for the building of facilities and not of ships, and I might say that I think a great deal of injustice has been done to Mr. Wall, because he is an excellent engineer, and the investigation proved that he was principally right on everything he stood on.

Senator BREWSTER. Now you speak of investigation.

Admiral VICKERY. Yes, sir.

Senator BREWSTER. What was that?

Admiral VICKERY. By the Commission.

Senator BREWSTER. How recently was that?

Admiral VICKERY. When the trouble arose over the facilities, which was several months back. As a matter of fact, both Mr. Harrison and I were up there 3 weeks ago ourselves investigating the situation as far as shipbuilding goes. Steps are being taken to rectify the situation, I might say. As far as the shipbuilding goes, they had some complaints about the shipbuilding inspector up there, which were found to be justified, 6 weeks or a month ago, and we removed the inspector.

Senator BREWSTER. Well, it is a fact that Mr. William S. Newell, who is the president of the Bath Iron Works, has had a remarkable reputation as a shipbuilder for the Navy and in private construction over a period of 20 years.

Admiral LAND. That is correct.

Admiral VICKERY. In his Bath yards; yes, sir.

Senator BREWSTER. He has had a remarkable record. The Bath-Todd yard, which was the British contract, which has lagged behind, is now picking up and does seem to be getting nearer to doing a job.

Admiral VICKERY. They are only 50 percent of what they ought to do yet. They are only doing 50 percent of what the Kaiser yard on the west coast is doing in the last month.

Senator BREWSTER. On a man-hour basis?

Admiral VICKERY. No; on a basis of the amount of steel that they fabricate and the amount of steel that they erect. They are just 50 percent of the other; 58 percent of fabrication, 51 percent of erection.

Senator BREWSTER. The Kaiser interests, who are running some of the west coast production, both at Richmond and Portland, had not had previous shipbuilding experience, had they, to any extent?

Admiral VICKERY. That is correct.

Senator BREWSTER. So that it is rather remarkable that people without shipbuilding experience should be doing so good a job, and not be in so satisfactory condition up here where we have had the experience.

Admiral VICKERY. It is not a real shipbuilding job. That is the answer to that.

Senator BREWSTER. That is interesting.

Admiral VICKERY. It is a mass-production job of erecting materials. It is an entirely different job than the normal building of ships.

Senator BREWSTER. In other words, Mr. Newell had been devoted to building the finest type of destroyers.

Admiral VICKERY. That is correct.

Senator BREWSTER. Which is very intricate and detailed work, and mass production was another problem.

Admiral VICKERY. It is an entirely different approach to the problem.

Senator BREWSTER. You had to slap them together.

Admiral VICKERY. Well, it isn't slapping them together. It is approaching it with a different technic, and the things that you normally do in building a destroyer you don't have to do in building one of these cargo ships.

Senator BREWSTER. There are many less refinements.

Admiral VICKERY. Well, it is much simpler structure than a destroyer structure, and it goes together for mass production in an entirely different method. In one you are dealing with very light structures and in the other you are dealing with very heavy structures.

Senator BREWSTER. Mr. Newell has been very much distressed and has made repeated public statements about the tremendous amount of absences running as high as 10 to 15 percent daily absences in the yard.

Admiral VICKERY. That is correct.

Senator BREWSTER. How does that compare with other sections?

Admiral VICKERY. It is higher than other sections.

Senator BREWSTER. That, again, is something that I assume is more or less up to us.

Admiral LAND. It is. You are quite right in your assumption.

Senator BREWSTER. What do you figure is the reason for that from your observations?

Admiral VICKERY. I think what is happening up there, in the first place, is in the normal pay envelope you get when you work that full week with overtime on it; and the second point, if you want to run a farm or go fishing, is you make enough to go fishing and run a farm in 2 or 3 days.

Senator BREWSTER. In other words, the people of Maine are not ambitious merely for wealth.

Admiral VICKERY. That is correct; yes, sir. Newell, however, is trying to get on top of that situation by a house-to-house canvass of the people who are staying out. That is one of the things we suggested when we were up there, and he immediately took it in hand. He is just as much worried about the situation as we are.

Senator BREWSTER. I talked with him when I was home and I know that he recognized the problem, too. All I felt we could be responsible for was seeing that there was no absence of complete cooperation. He knew that Admiral Land had been somewhat critical in our private session which we had here 2 or 3 weeks ago. He understood thoroughly his view, and both Admiral Land and Mr. Newell are capable of using sea language, and they both expressed themselves. I did gather that Mr. Newell felt that the complete picture had not been presented. I don't know whether the committee contemplates calling in any of these



gentlemen concerned or not, but I know, as far as Mr. Newell is concerned, who happens to be responsible for three yards, he would welcome an opportunity to present his reasons.

The CHAIRMAN. We will give him a chance, if he wants it.

Admiral VICKERY. The Navy work is going very well. In fact, the Navy awarded him an E at the Bath plant, but neither the British nor ourselves are satisfied with the progress he is making in the merchant-ship program at these new plants.

Senator BREWSTER. Has the feeling been that perhaps he had concentrated both his abilities and facilities rather exclusively on Bath as distinct from Portland?

Admiral VICKERY. Well, it is shifting from a small operation that is considerably restricted into a large operation which is a material control problem, and it has to move much more rapidly. When you take the destroyer the length of time it is on the ways and the amount of material you have to move into it in that time, it is one problem; when you take one of these ships, if you want to move the amount of material in there in a very short period of time, and there is a great deal more weight to move into it in a much shorter period of time, it requires a greater organization to do it.

Admiral LAND. I would like to add that one answer to this, as well as to other problems in shipbuilding, is spreading shipbuilding brains too thin. That starts with management and works down through the skilled orders of the trades in the yard.

Senator BREWSTER. Well, how do they solve that problem on the west coast where we didn't think they had as much brains as we had?

Admiral LAND. Well, there is another question comes in there, which is the intangible word known as "morale"—getting on top of the job.

Senator BREWSTER. You think they are little nearer to the Japanese out there?

Admiral LAND. Well, all I know is that there is a better productive spirit in the No. 1 and No. 2 yards than there is in some of the other yards, and I don't care where they are located, geographically or otherwise; it is psychological, and it comes back to the one word which I call "morale," and that, as I say, extends throughout the plant.

Senator BREWSTER. It is noticeable that the three first yards are on the west coast.

Admiral LAND. That is true.

Senator BREWSTER. That may have a certain psychological significance.

Admiral VICKERY. Those people are used to moving a mass of material. It is like a construction job, and that is what this is—a production construction job where they can move a lot of mass material and move it quickly. They are contractors who have been doing that sort of job. When they jumped into this building of ships it was just like building any other structure.

Senator BREWSTER. Just like building a dam.

Admiral VICKERY. Setting the machinery is just like setting machinery in power plants, so they soon got on top. They had difficulty in their outfitting when they first started because outfitting a ship was a little bit different from outfitting a powerhouse. They have gotten over that and they are delivering ships now 30 days after they are launching them. They are launching ships in 58 days now, and the average time in the Portland yard is down below 60 days. The last

ship was fitted out in 41 days and the one which will be delivered tomorrow was fitted out in 38 days.

Senator BREWSTER. When you speak of Portland now you are speaking of Portland, Oreg.

Admiral VICKERY. Yes, sir. The schedules call for 105 days on the west coast, and they are going to be below those schedules at the beginning of this month.

Senator BREWSTER. What are the ones on the west coast?

Admiral VICKERY. The ones in Bath are the longest schedules we have—135 days.

The CHAIRMAN. Right there, Admiral, I would like to ask you if this launching program is keeping up with the sinkings—keeping ahead of them?

Admiral LAND. Launching is not a proper basis for comparison, Senator. What we are interested in now is not launching, but completed ships.

The CHAIRMAN. All right, then. Are the completed ships keeping up with the sinkings?

Admiral LAND. If you don't mind, I would rather not discuss the question of sinkings, because of the instructions I have. I have stated to the Naval Affairs Committee that the sinkings of February and March have been extremely serious. Except in executive session, I would prefer not to make any further statement on that.

I would like to add one word to what Admiral Vickery stated here, to make it clear to you gentlemen that the difference between shipbuilding and ship assembly is the difference between normal, old-time construction and modern cargo construction, in which we are engaged. It is an assembly job in comparison with what is known generically as a shipbuilding problem.

Senator BREWSTER. We have the next two yards at the bottom of the list, the Delta and Houston Yards. What about the difficulties there? How do they compare?

Admiral LAND. The difficulties there are very much the same. They run the whole gamut of managerial difficulties, labor difficulties, material difficulties, difficulties in getting, in Delta, for example, suitable foundations. It is rather treacherous soil there. It is pretty much the same thing throughout, except some people get on top of it faster than some others.

Senator BREWSTER. The Delta Yard is at New Orleans, is it?

Admiral LAND. Yes, sir.

Senator BREWSTER. Is that the Higgins yard?

Admiral LAND. No, sir. Higgins is also at New Orleans, but the Delta yard was started a year ago in February, and the Higgins yard was started a month ago.

Senator BREWSTER. So Higgins has just begun. That is quite a pretentious organization.

Admiral LAND. It is.

Senator BREWSTER. What do you expect to do there?

Admiral LAND. Well, we are very full of hope that he is going to deliver 200 ships on the schedule that he has set up.

Senator BREWSTER. That is the biggest thing of the type that you have undertaken?

Admiral LAND. It is not only the biggest, it is the most unique type of ship construction that has ever been tried in the history of the world.

Senator BREWSTER. What does it involve as far as you may publicly discuss it?

Admiral LAND. It involves primarily, instead of shipways, that you put a ship on rollers and progressively start at the head of the plant and finally put it into a basin at the foot of the plant, moving the ship outbound to the water's edge on rollers.

The CHAIRMAN. Build it just as you build an automobile.

Admiral LAND. Very much the same idea of the assembly line in automobile construction. It has some very unique features, very interesting features, which certainly can't be licked, and they have had a great deal of experience in small-boat work, and I think one of the outstanding reasons why Vickery and I were willing to go into it was because they always delivered ahead of time and better than they promised, which is always a unique consideration in any kind of productivity.

Senator BREWSTER. In what field was that?

Admiral LAND. Various kinds of barges, patrol boats, mosquito boats, motor boats, and some types which they developed in their own ideas and design and which they produced a good many of for the Navy.

Senator BREWSTER. How large boats had they built?

Admiral LAND. I don't know the maximum size. They run anywhere from 50- to 60-foot boats to 100-foot boats, and a good many barges.

Senator BREWSTER. So that they had been primarily in the small-boat field hitherto?

Admiral LAND. That is correct.

Senator BREWSTER. But they had been very successful in that field.

Admiral LAND. Very successful, and, as I say, they always did what they promised to do and always beat their schedules.

Admiral VICKERY. It is one of the best organized plants I have seen. They are building boats.

Admiral LAND. There is plenty of kinetic energy in the management.

Senator BREWSTER. How soon will their yard be ready to operate?

Admiral VICKERY. The schedules call for ships beginning to come out toward the end of the year. It takes about a year to take a yard and get production and bring a yard into production when you start from scratch. And by January I think they will be producing 15 ships a month—supposed to. It comes to about 24 or 22, I guess, on his schedule.

Admiral LAND. You might be interested in these schedules, which Admiral Vickery has reduced, as far as the chart is concerned, to 105 days; that is, 60 days from keel laying to launching, and 45 days from launching to completion. That is the chore we have set for all of them. Some of them are going to meet it. Some of them have already met parts of it and have beaten parts of it. In other words, they have beaten the 60 days from keel to launching, and they have beaten the 45 days from launching to delivery. But they haven't beaten the combination, but they are very rapidly approaching it, and it is just

exactly like the automobile industry which, as you know, stops every year, lays off everybody, and tools up. As Vickery says, it takes about a year to get properly set and tooled up. When that production is tooled up and they are set to go we have expectations and believe that they will be delivering in less than a year, and we hope by sometime this year three ships a day, maybe more.

The CHAIRMAN. Have you been held up in any way by this steel situation—the delivery of plates—on account of the fact that they have been delivering steel to private individuals?

Admiral LAND. Starting last July, we fell progressively behind on the steel required by the Maritime Commission, up to a backlog of about 169,000 tons. In March, we think that we may have met our requirements, but have made up little or nothing of the backlog. The backlog means, in words of one syllable, that 2,500 tons of steel delayed today means a ship delayed 5 months from today.

The CHAIRMAN. And you are still suffering from that shortage?

Admiral LAND. We are suffering from the backlog.

The CHAIRMAN. Of 169,000 tons.

Admiral LAND. We can't make that up very well. If we are delivered our steel commencing with March of this year, without the backlog, we hope to meet the schedules as indicated.

The CHAIRMAN. If the plate mills had come into production when they should have, you wouldn't have had that backlog; would you?

Admiral LAND. It depends altogether on what you mean by plate mill. Both the shearing mills and the strip mills were in production, but we didn't get the steel, and it was only in February of this year—January or February—that they shifted over from the sheared mills to the strip mills, and Vickery in turn changed his design from the mold loft floor up so as to accommodate the Liberty-ship design to strip mill widths. That, of course, necessarily involved some delay in rescheduling and relaying out, and it involves additional time as to welding because you have more of it, and so forth. But that is now out of the woods and going along satisfactorily, as far as we can discover. Whether they will meet our allocations and our requirements from month to month is in the laps of the gods, but we are going on the assumption that they will, and if they do, all right; if they do more, it is still all right, because I believe that the shipbuilding industry in the United States can improve its productivity at least 12½ percent this year and 25 percent next year, without anything more than a proper psychological morale from the President down to the rivet heater or the laborer in the yard.

Senator BREWSTER. You believe that as the possibility of increased productivity per man-hour?

Admiral LAND. Yes, sir.

Senator BREWSTER. By getting them stepped up?

Admiral LAND. Yes, sir; I don't think there is any doubt that they can do it, and I have every confidence in them that they will do it.

Senator BREWSTER. You intend to get as fair a comparison as you can for the various yards on that basis, so that each may know whether it is doing well or badly.

Admiral LAND. That is true.

Senator BREWSTER. And you are trying to make this comparison just as fair as you can to all the yards involved?



Admiral LAND. That is true, and we are going to try to get it down on a more equitable and comparable basis, and then we are going to publish it to the world and let everybody shoot at it. But it has to be published so that it can be understood and so that you don't have to do a lot of mental arithmetic to make it intelligible. It is easy to interpret it, as you point out—

Senator BREWSTER (interposing). I am afraid the world has it now.

Admiral LAND. Well, the world should have the productivity of the yard, and, after all, we are interested in completed products, and when I say "we," I mean all of us, not just the Commission.

Senator BREWSTER. This country certainly is, and the world is. In other words, it is generally recognized that shipping is the immediate problem of the war.

Admiral LAND. In order to improve this morale, we have set up a special committee on morale. We have been working on this long before any committees were thought of. We have been working on it individually and collectively, primarily through Admiral Vickery, through our inspectors, through visits, not only by the Maritime Commission, but by W. P. B. and by half a dozen other interested Government agencies that have attempted to improve this. We felt that it should be concentrated in our own hands in cooperation with the Navy, and that is under way now. We have plenty of means of needling these individual yards that never reach the public, and you can rest assured that it hasn't been overlooked.

Senator BREWSTER. I have found that out. As far as you know, the Bath yard is keeping approximately the schedule, is it not, for the Navy?

Admiral LAND. They are behind schedule, comparatively speaking—oh, Navy. I beg your pardon. I won't speak on the Navy. My knowledge is that they probably are beating the schedule on Navy work.

Senator BREWSTER. That is what I understood.

Admiral LAND. I think they are ahead of schedule. I would like personally to take out any personalities between the Bath yard and Mr. Newell and myself or Mr. Newell and Admiral Vickery, because there isn't a finer gentleman or a finer shipbuilder that lives, as far as we are concerned, but still, personalities have nothing to do with productivity. We are interested in completed ships.

The CHAIRMAN. Ships are what you want.

Admiral LAND. Yes, sir.

The CHAIRMAN. Senator Herring, have you any questions?

Senator HERRING. No.

The CHAIRMAN. Senator Ball? Senator Burton?

Senator BURTON. Mr. Chairman, I would just like to have the full benefit of this table that has been presented to us on the 312 Liberty ships.

Admiral, would you just explain to me what that 312 Liberty ships means and why the table relates to those only?

Admiral LAND. Because they were part of two bills which Congress passed, one for 200 and 112 in another, of which we have fairly complete, fairly accurate data as to progress; further, because they are now about a year outstanding, and therefore, there is some basis for comparison. The additional ships that have been contracted for are not far enough along. The yards are not far enough along. We

have under contract 3,007 contracts of all types and kinds of ships, and the distribution by yards and the distribution by areas is available, but it is confidential, and I would be glad to submit it to the committee, with the request, which I hope you will approve, that it not be published, not because we have any objections to it, but because the policy of the Government is not to publish those things. There is the list of all of the yards, all of the ways, and all of the contractors, the total number being 3,007, which includes a lot of small craft, but it also breaks it down into the respective programs which were authorized by the Congress.

I also have a chart showing the subdivision by areas, North Pacific, South Pacific, Gulf, and Atlantic, with contractors, number of ships, and the number of ways, and the total. They are rather elaborate tables. As I said, I should be very happy to submit them to the committee if I make the very strong request that you do not publish them.

The CHAIRMAN. I would rather you not submit them at this meeting if they are not for publication. When we have an executive session you may submit them.

Admiral LAND. I merely want you to know that we have the data available for your information, and it shows a pretty equitable distribution throughout the United States.

The CHAIRMAN. If any member of the committee wants to look at them, it is perfectly all right, but I don't want to make them public documents at this hearing.

Senator BURTON. Then I understand, Admiral, you are having experience with 3,000 ships, but these 312 are typical.

Admiral LAND. They are typical Liberty ship contracts which are far enough along to form a reasonably accurate basis of comparison of the productivity of the yards concerned.

Senator BURTON. Then, Admiral, am I correct in saying that in the fourth column on page 2, which deals with total percentage of accomplishment as of April 1, 1942, we have the comparative figure that is most helpful to us? That seems to be a summary of accomplishment.

Admiral LAND. Which column, Senator?

Senator BURTON. The fourth column on page 2, entitled "Total Percentage Accomplishment at April 1, 1942."

Admiral VICKERY. That shows the total progress.

Admiral LAND. Yes; I think that gives you a fairly accurate picture, and that is the important column there.

Senator BURTON. They all began about the same, I take it.

Admiral LAND. Not all of them. As Admiral Vickery explained, the Portland yard started several months behind some of the other yards.

Senator BURTON. Then that isn't a thoroughly fair column to use for comparison if they didn't start at the same time.

Admiral VICKERY. The fairest column to use is the next column. That shows what rate they are working on. Let me explain this.

Senator BURTON. Let me get it. The fifth column?

Admiral VICKERY. Yes, sir. That is what they did last month, the rate of progress they are making.

Let me explain this 312. Congress passed, in February of last year, the first 200-ship program, which was the emergency type. We started all of the yards there except the South Portland yard and the Richmond yard, which had a yard at both places which were building Brit-

ish ships. Then, when they passed the lease-lend bill, there were 112 more ships added, and these original yards were expanded, and to those were added the Richmond yard and the South Portland yard, which was considered an expansion of the yards that were going already: that is, they were adjacent to them but not an integral part of them. They already had their management running on the British job. We took the whole 112 plus the 200 and made the 312 ships. These ships were contracted for at that time.

Then there were no additional Liberty ships contracted for until about September, when there was a little expansion done in the Richmond yard, in the South Portland yard, and in the Delta yard, and those additional ships being so far behind, they had to have expansion of the ways there and those are just coming into production at the present moment.

So we haven't thrown those particular ones in, because it would make an unfair comparison.

Take, for instance, at the time you started the Richmond yard, you also started to expand the three ways in the Oregon yard and also at the same time, you started the South Portland yard. In the three additional ways that were started at the same time in the Oregon yard they have already delivered two ships off each way of that particular yard. These that are in the South Portland yard have not launched a ship yet over the six ways started at the same time. So you do get a pretty comparative statement in there.

If you take the last column, that shows you the rate at which they are going, and that is very fair because that is the percentage of the number of ships they have. They might gain 1 month, and they can say it would be unfair, but you can't gain more than the total percentage, because 100 percent completes the ship. They are all figured on four ships to a way.

Senator BURTON. Then I take it you are referring me particularly to the percentage of gain column rather than the total percentage?

Admiral VICKERY. I think that is the fairest picture of it.

Senator BURTON. What I am trying to reach is to get some picture as to what we might expect by way of improvement if we reached the point that we are trying to reach. If you take that column, as I see it, you see two companies that are over 12 percent, three companies between 7 and a little over 9, and four that are between a little under 3 to a little over 4.

Admiral VICKERY. That is correct.

Senator BURTON. They fall into three groups.

Admiral VICKERY. That is correct.

Senator BURTON. If those last seven companies moved up into the first class, you would have a gain in your total percentage from about 7.7 up to about 12, which would be nearly a 50-percent gain.

Admiral VICKERY. That is what we expect. That is what we are driving for, the 0.12-percent gain per month.

Senator BURTON. That is what I am interested in, and therefore you see a possibility of actually increasing the percentage of gain by 50 percent in these yards as a whole.

Admiral VICKERY. In the yards as a whole.

Senator BURTON. And in the yards that are below 12 percent now there would be more than a 50-percent gain because they are below that average at this time?



Admiral VICKERY. Yes, sir.

Senator BURTON. So that you have involved here a tremendous expansion in production, and you are shooting for a 50-percent increase or more than a 50-percent increase in seven out of nine plants.

Admiral VICKERY. That is right, and they have got to make that to hit the schedules.

Admiral LAND. You have to increase from 7.72 to 12 for the average at the bottom of that fifth column, for the whole nine yards.

Senator BURTON. That is pretty nearly twice.

Admiral VICKERY. That is what we have got to do.

Admiral LAND. That is what we are up against here, and they aren't up against anything that the rest of the United States and all its armed forces are up against.

Admiral VICKERY. You will see what has gone on here if you start back in October—or in November, which was the first month, and we had a monthly gain of 3.20, next 3.21, then 6.20, 6.05, 9.30, and the last month was 7.72.

Senator BURTON. Then we would have reason to assume that you would come somewhere near that increase. Certainly we wouldn't be in a position where you point out that over all there is a 60 or 70 percent increase possible, and we are falling down something like that—we certainly shouldn't be more than 10 percent off what is possible.

Admiral VICKERY. I agree with you. Of course, there is one thing that you must realize in these yards. Some of them have been slower coming into production than the other yards (that is picking up) because the facilities have not been available. For instance, we have been held back by the late delivery of cranes. You can't build a ship unless you get the crane on the way. For instance, at Bethlehem and Fairfield over here in Baltimore, we expanded 13 ways to 16 ways last April. We are just getting the cranes up at the present moment. Getting cranes on shipways has been a very difficult problem, and you can't get very far until you do that. Now, those facilities are coming into production. At Houston, for instance, we had a terrible rainy season last year, and we had some labor difficulties in building the facilities. The plant was bogged down. It was late in getting started, but it is coming into production. Its first ships start coming out next month, and its production is going up.

The same thing is true, I think, in South Portland, Maine. It is improving, but it isn't improving enough. It happens to be our bottom. And Delta at New Orleans is improving.

Our yards are improving. We are driving them up, and we have every hope that we will get them up to what we consider—if I get that monthly production up between 10 and 11, I will feel, that I have made quite a fair strike at it. Some yards are going to be better, and some yards are going to help carry the ones that are behind. That is always true.

Senator BURTON. Then the 50-percent increase in the rate of gain would be a conservative estimate as to what the improvement is you expect to make.

Admiral VICKERY. That is right.

Senator BURTON. And that, then, would put you ahead of this schedule that you showed us here, because the average is now about stepped up to the program curve, and if you have made that increase, you would be ahead of the program curve.



Admiral VICKERY. That is correct. And you will see, on Oregon and Richmond, that they are quite ahead of their individual curves on there—even their stepped-up curves.

Senator BURTON. Is there any suggestion that you could make to the committee as to how the committee might be of any assistance in putting you ahead of your program curve?

Admiral VICKERY. You could see that we get the steel. We had 12 ways vacant last summer, because we couldn't get steel to them.

Senator BURTON. That is not so now.

Admiral LAND. I will make a statement on that besides steel. I have already made it before Mr. Vinson's committee.<sup>1</sup> That is to stabilize our labor-management relations so that we won't be disturbed and so that the men won't be disturbed by agitation of any kind, shape, or form, so that they can think about the strategy of the war to their heart's content and increase the production.

Senator BURTON. Are you attributing, then, our failure to be 50 percent ahead of where we are to the labor situation?

Admiral LAND. I think that is bound to have a bearing on the productivity. It is bound to have a bearing on one of my pet peeves—loafing in the yards. We have to build up the morale of all of the personnel in the shipbuilding industry from top to bottom, and it applies to management as well as to labor.

Senator BURTON. That brings us to the concrete question whether you can improve morale by a piece of legislation or whether you have to go behind the legislation to the citizen and get him inspired to do his work.

Admiral LAND. I don't care how you do it. All I want to do is to stabilize it. It has a right to be stabilized. The people of the United States expect and have a right to think that our labor-management arrangements are stabilized.

Senator BURTON. That is, you think it is primarily a question of getting it settled rather than—

Admiral LAND (interposing). Absolutely so, so that there isn't this infernal agitation going around in everybody's head whether it is an open or closed shop, or whether the wages are going to be increased, or whether they are going to join this union or that union.

Senator BURTON. Whether it comes about by agreement or by legislation, you are leaving to somebody else, but you say it should be settled, and quickly.

Admiral LAND. We ought to have a national war-labor policy.

Senator BURTON. Thank you.

Senator BREWSTER. You have made it clear that the comparison can't be entirely accurate, but on the basis of these figures, if we have to step up from 7.72 to 12, that would indicate that for the month of March, our production was 40 percent behind what you hope to achieve.

Admiral LAND. That is right.

Senator BREWSTER. And we never can make up that March. That is lost.

Admiral VICKERY. Put it this way, Senator. At that time, remember, these original contracts were based on a 210-day schedule, and

<sup>1</sup> House Naval Affairs Investigating Committee.

this 12 will make a 105-day schedule. We simply cut the time in half. If we had made 6.6 we would have made our schedules comfortably that the contracts require.

Senator BREWSTER. The original?

Admiral VICKERY. That the original contracts required. All new contracts are having faster dates, but these original contracts were let on a 210-day basis. For instance, some of these ships we are delivering we expect to deliver 10 to 12 months earlier than the contracts called for, and we are delivering ships earlier.

Senator BREWSTER. The stepped-up schedule is the result of the 8,000,000-ton program.

Admiral VICKERY. That is correct.

Senator BREWSTER. So that thinking in terms now of 8,000,000 this year—and what is it next year, 15?

Admiral VICKERY. Fifteen next year.

Senator BREWSTER. Speaking strictly in those terms, for March we were 40 percent behind what we would need to be to accomplish that.

Admiral VICKERY. Not at the month of March, because—

Senator BREWSTER (interposing). No; but during the month of March.

Admiral VICKERY. No; I mean we wouldn't have had to make that 40 percent increase in the month of March to hit these schedules, because we knew we wouldn't get up to that point in our scheduling of those ships in that month. As we approach the end of the year, for instance, in December of this year, we will deliver about a million deadweight tons of shipping in 1 month alone. It is a straight up progress.

Senator BREWSTER. Then you are achieving the percentage gain which you projected at this point.

Admiral VICKERY. That is correct, and that will show on your curve. That shows you on that 312 curve; yes, sir.

Senator BREWSTER. The total?

Admiral VICKERY. Yes, sir.

Admiral LAND. May I add, Mr. Chairman, to what I said with regard to stabilization? I have already testified before Senator Thomas' Subcommittee on Appropriations the 10 points that I feel are essential, and I would be very glad to resubmit them here, in which there is some action that the Congress can take if they see fit. It is very brief.

The CHAIRMAN. Proceed.

Admiral LAND (reading):

1. The primary objective is a maximum of production.
2. Strikes—not serious now, either quantitatively or qualitatively. The agitation leading up to and the let-down after a strike are always serious so far as production is concerned. (Psychologically bad.)
3. Slow-down may be serious now—in capable of being determined accurately.
4. Loafing is serious now.
5. Forty-hour law. This is an economic problem involving primarily the wage envelope per week—therefore must be considered in connection with inflation possibilities and general spiraling of prices (considered definitely within the province of the Congress).
6. Machines should work 7 days. Men should work 6 days only.
7. Saturdays, Sundays, and holidays should be considered workdays.
8. Double time should be eliminated for the duration.
9. The War Labor Board may, and possibly should, take the necessary action to hold labor-management relationships at a standstill; that is, "as is" (sometimes referred to as freezing relationships).

Alternative: Do it by statute.

10. Shift work (three 8-hour or two 10-hour, etc.) should be determined by labor-management (collective bargaining) by areas and zones. We must avoid "scamping" and migration of labor.

The CHAIRMAN. Any other questions, gentlemen?

Senator BALL. Mr. Chairman. Regarding this 40-hour week, I would like to get your opinion as to how it would affect the shipbuilding. When we were out on the west coast we found that some of the companies were having a little difficulty holding their best men. They have this wage-stabilization agreement out there. The mechanics in shipbuilding are the same as the mechanics used in construction work, but the wage scale on construction work is considerably higher, and if you eliminated this 40-hour week, my impression is that if you went to straight time for 48 hours, the only way you could hold those skilled mechanics in shipbuilding, without a freeze order freezing them to their jobs, would be to raise their wages so that they were more nearly on a par with construction mechanics.

Admiral LAND. Well, I have nothing more to say than I have said on that, sir. The construction mechanics, in my judgment, are not shipbuilders to a large extent. They can be adapted and adopted into it. Your statement with regard to the wage rates is undoubtedly correct. The Ship Stabilization Board as of last June raised the wages by zones throughout the United States in every zone and every area. Those are subject to reconsideration on the basis of the rise in the cost of living. Meetings will be held in the very near future to take care of that situation. The shipbuilding industry is one of the highest paid industries in the United States today. I don't feel competent to state any more about the 40- versus the 48-hour week than I have already stated, because I think and believe it is an economic problem. I do believe that many of our labor people are so loyal and so patriotic that if they were assured that any gains that they gave up would go to the United States Treasury and not to the pockets of industry, they would be prepared to make reasonable sacrifices, assuming that industry makes equivalent sacrifices.

Senator BALL. I think that is quite true. You spoke about construction mechanics not working as well in shipbuilding, but the impression we got when we visited several of the Kaiser yards out there, as they told us, was that their best men on this assembly job were some of their older employees who had come over to them from the construction game.

Admiral LAND. They probably weren't bricklayers, though.

Senator BALL. Oh, no, no, no. But you use carpenters; you use molders.

Admiral LAND. Those are analogous trades, certainly.

Senator BALL. And boilermakers.

Admiral LAND. Absolutely, boilermakers, carpenters, and mechanics.

Senator BALL. The mechanics that come over from the construction game used at a faster tempo than the ones who had been in shipbuilding.

Admiral LAND. I wouldn't be a bit surprised. The results speak for themselves on the west coast under the Kaiser regime. I was thinking more of the bricklaying and cement trades and things of that kind that are not directly analogous to those trades, but if those trades are put out of business by the Government—and many of them have

been—that is part of the sacrifice that every citizen of the United States expects to make in going into an industry that will afford him reasonable pay and reasonable employment.

Senator BALL. You spoke about double time also, in which I was interested. We talked to the management in those yards. They were on a 24-hour day basis, and they said they had had no trouble negotiating their unions and eliminating double time, except possibly for the seventh day. They were working a 48-hour week.

Admiral LAND. Labor is perfectly prepared and perfectly willing to play ball.

Senator BALL. They had had no trouble at all on that score.

I was interested, on page 1 of this chart, that the percentage gain for February was about 1.50 above March. What was the reason for that? It was 9.30 and dropped to 7.72.

Admiral LAND. What column is that, Senator?

Senator BALL. Third from the right side, on the first page. The average percentage was 9.3 in February and 7.72 in March.

Admiral VICKERY. I can explain that very easily. When we started out, we didn't throw in all those 112 ships in March. We didn't count them in because they had started late. But we did count them in later. The 9.30 was the February one, and the 7.72 was the March one. In February we hadn't counted in the ships that started late, and when we came to the one that was figured the 1st of April, we did count them.

Senator BALL. That pulled your percentage down.

Admiral VICKERY. That pulled the percentage down.

Senator BALL. I was wondering whether it had been bad weather or something like that.

Admiral VICKERY. No.

Senator BALL. Does the weather have much effect on it?

Admiral LAND. Oh, yes; it does, and it has a tough effect in the wintertime up in Maine, for example, and the very rainy weather that they have both in Houston, particularly, as well as at Delta, seriously interfered with the facilities construction. There was quite an unusual set of bad weather that made it very difficult to get our ground facilities in. It always has an effect, but, then, that is the run of the mine, the run of the green, that we all have to take.

Senator BALL. Do you happen to know what union security—

Admiral LAND (interposing). What? Union security?

Senator BALL. Yes; which are closed shop?

Admiral LAND. As far as I know, there isn't any such. In most of these yards they are organized under straight C. I. O. or A. F. of L.

Senator BALL. With closed shop?

Admiral LAND. I know of no union security in any of these nine yards; do you, Howard?

Admiral VICKERY. No.

Senator BALL. I know some of them are closed shop. That is what I was talking about.

Admiral LAND. That is another story. I will not comment on that.

Admiral VICKERY. All of those that are closed shop, if the union can't provide the men, they are at liberty to take other men.

Senator BALL. They are not calling it a closed shop. I think they are calling it a union shop.

Admiral LAND. They are union yards.



Senator BALL. I was wondering if they are all union shops or whether some were open shops simply with unions.

Admiral LAND. No; I think they are all unions in these nine yards.

Admiral VICKERY. I don't think that Delta has yet taken a vote in their plant. Our policy has been that there should be at least 25 percent of the total working force in before they take a vote in the plant, to give every union a fair opportunity. That hasn't been followed entirely, but that is the policy of the Commission.

Mr. FULTON. On those point systems, Admiral, could you send us over, without taking the time here, a kind of break-down of how the points are figured?

Admiral LAND. Yes; indeed.

Mr. FULTON. Is there any particular reason that a similar set-up could not be developed—I don't mean by you, but by the Navy—to show the Navy's accomplishments and the differences in navy yards and private yards?

Admiral LAND. It can be done.

Admiral VICKERY. It is a very simple thing. I tell you, from the progress report to complete a ship. It takes 100 percent to complete a ship, and you simply add up the percentage that is made on each ship on the progress report and that is the number of points they make.

Mr. FULTON. Of course, a ship is fundamentally just materials and hours; that is all.

Admiral VICKERY. Yes. To complete a ship, it takes 100 percent of the ship. One hundred percent gives a completed ship. If you have 43 ships, that is 4,300 points there. On our progress report we show the amount accomplished on each ship under the contract, and you add those up and that gives you the total number of points.

The CHAIRMAN. There isn't any reason that the Navy couldn't furnish us the same report.

Admiral VICKERY. There isn't any reason. They have the data. They have never developed it that particular way, but they have that same data.

Mr. FULTON. Now, with respect to that materials shortage, we did find on the west coast last year, in line with what you said, that a number of the yards stated that they could put on a great many thousand more men if they had the materials. What we had in mind was, when did you first notify the O. P. M. and others of the plate capacity?

Admiral LAND. July 1941 was the first accurate record. I don't mean that they didn't have records all along, but the first shortages commenced to be serious in July.

Admiral VICKERY. In the Richmond yard, we were due to get steel so we could lay a keel on the 1st of July. We got steel in there on the 13th of September. If we had gotten steel in July, we would have delivered a ship in December of last year. Actually, we delivered the first ship on the 13th of February.

Mr. FULTON. Yes. You are talking about the actual requests for ship plate which you didn't get. Those requests were as early as July. But what I was talking about was the question of increasing plate capacity, which must have arisen much sooner.

Admiral VICKERY. On our normal program, the other program would have required 150,000 tons of plate steel a month, and we had submitted our requirements to them. That is, we don't know how much

the Navy would require, we don't know how much the Army would require, and we don't know how much is going into Defense Plant Corporation. That was the War Production Board's to divide and find out where they were going to use the steel and how much steel was going to be assigned to us. We had made our requirements for the complete year known to the War Production Board.

Mr. FULTON. As early as when last year?

Admiral VICKERY. Oh, it was about February of last year.

Mr. FULTON. I was interested in that because the committee was taking private exception to this Gano Dunn report in May of last year that there would be no steel shortage.<sup>1</sup>

Admiral VICKERY. We were already in a steel shortage.

Mr. FULTON. I wanted to know whether the O. P. M. had been given all your information.

Admiral VICKERY. Indeed, they had. We did more than that. We had had the steel companies in there and lectured the steel companies about not getting our steel shipments from them.

Mr. FULTON. And then also there is this question of continuous strip mills. Those are being used and were being used for automobiles, were they not?

Admiral VICKERY. Yes; some of them were, but 90 percent of the Liberty ship came off of strip mills. There are two sizes of strip mills, you see. There is a 72-inch steel strip, and then there is a narrower strip. And strip mills run up as high as 90 inches. The Liberty ship plates were 90 percent from some strip mill. It didn't all come off there, because it wasn't ordered that way.

Mr. FULTON. My only point was that if you had been given the automobile strip mill capacity earlier, would that have helped you in your shipbuilding program?

Admiral VICKERY. If we had gotten it, yes; but they could have taken strip mills earlier on the basic design. What they asked us to do was to redesign the ship to take a certain amount of 72-inch strip mill. That meant going back and redrawing the plans and scrapping all our templates and starting in a new series with the 72-inch-wide plate throughout. We are doing that.

Mr. FULTON. You are doing that as soon as they make that available to you; is that it?

Admiral VICKERY. Yes; but I am just pointing out that even originally, the way the ship was designed, we could always have taken a good part of strip mills. You must say this for them: Strip mills did not roll the thickness of plating that was used in ship structure, and they thought they couldn't until somebody went in and showed them that they could get their thicknesses up. Then they really got into the thickness of plating and the quantities they are getting off of it now. That is a thing that strip mills had never done before, and they didn't realize they could do it until somebody showed them they could.

Mr. FULTON. Was it that they didn't realize or that they didn't want to realize?

Admiral VICKERY. I think it was both.

The CHAIRMAN. That is all, gentlemen; thank you very much.

Mr. Eastman, we have asked you to come to the committee to give us a view of the transportation situation and the difficulties that it is now facing as a result of the rubber shortage.

<sup>1</sup>Two reports, both entitled "Report to the President of the United States on Adequacy of the Steel Industry for National Defense, by Gano Dunn, senior consultant, Production Division, O. P. M."

# TESTIMONY OF JOSEPH B. EASTMAN, CHAIRMAN, INTERSTATE COMMERCE COMMISSION, AND DIRECTOR, OFFICE OF DEFENSE TRANSPORTATION

## REVIEW OF DOMESTIC TRANSPORTATION PROBLEMS

Mr. EASTMAN. Mr. Chairman and members of the committee, my duties cover a rather large field in transportation, embracing the railroads, motor transportation, water transportation, pipe lines, and air carriers. Of course, that is confined to the field of domestic transportation.

The CHAIRMAN. I understand that.

Mr. EASTMAN. Not the overseas.

Senator BREWSTER. Where is the line drawn on water transportation?

Mr. EASTMAN. Between domestic transportation and foreign.

Senator BREWSTER. And coastwise transportation is your province?

Mr. EASTMAN. Yes, sir.

I shall discuss first the railroad freight situation.

The CHAIRMAN. We are very much interested in that.

Mr. EASTMAN. First a word as to the present situation as compared with the situation at the time of the last war. As you know, the railroads at that time became badly congested and conditions were such that very shortly after the war started the railroads were taken over by the Government. This time the railroads, having had the advantage of the lessons learned at the time of the last war, were better prepared. The Association of American Railroads had a central car service division, well organized, with a field force, and to which the individual railroads delegated many powers. The railroads had been instrumental in creating certain regional advisory boards throughout the country with large shipper membership, and through those committees were able to secure the cooperation of the shippers, not only in forecasting traffic movements, but in the movement of traffic. They also had the benefit of the Bureau of Service of the Interstate Commerce Commission, which was created in 1920.

One lesson which they learned during the last war was the fact that cars must not be used for storage purposes, must be kept in circulation. Ever since 1939, when this emergency started with the outbreak of the war in Europe, that has been the watchword on the part of both the railroads and the shippers, and every effort has been made to prevent the use of the cars for storage purposes, and to both load and unload them quickly.

Because of that effort, the turn-around time has notably decreased, with the result that last year, 1941, the railroads carried a record number of ton-miles of freight, and they did that with one-third less cars than they had in 1929, and with a lesser number of locomotives. They have also been able to handle, since the war began, the extensive troop movements by the Army without any congestion.

At the present time there is no shortage in railroad transportation except for the fact that open-top cars are beginning to get tight. There is a shortage in tank cars, for reasons which I will describe; and there is a tightness in refrigerator cars, and beginning to be a tightness in the locomotive situation.



Looking ahead, what are the dangers that lie ahead? The best estimates that we have been able to obtain indicate an increase in carloadings for this year, 1942, of somewhere between 12 and 15 percent over last year. There seems to be rather general agreement on something like that figure. Now, in addition to that—and this has affected the railroad situation—

Senator BREWSTER (interposing). Does that take account, do you think, of the cutting out of a lot of civilian needs—of all these orders that are now in process?

Mr. EASTMAN. Yes; that takes that into account. Those estimates were made in the light of that. I might say that notwithstanding the decrease in civilian production, the Federal Reserve Board index of production shows a 20 percent increase for the first 3 months of this year over the same months of last year, according to my understanding.

Wholly in addition to this general growth of traffic are the diversions of water-borne freight which have come to the railroads, and those are very serious. As you know, the intercoastal ships are no longer operating through the canal. All of the transcontinental traffic is being handled by the railroads and, of course, that is long-haul traffic. As you also know, the eastern seaboard, until very recently, was supplied with petroleum and petroleum products very largely by tanker vessels operating from the Gulf along the coast at very low cost. Due to the diversion of those ships and their stoppage for various reasons, the railroads have been called upon to handle the very greatly increased load of that traffic.

Back in December they were hauling about 70,000 barrels a day in tank cars to the eastern seaboard. Last week it was just about 600,000 barrels. That, I may say, has consumed the attention and time of 850 locomotives used in hauling that additional load to the eastern seaboard.

The CHAIRMAN. That is just the additional load of oil?

Mr. EASTMAN. Of oil alone. Besides that, we have the fact that a great deal of traffic which used to move coastwise is now moving to the eastern seaboard from Gulf ports by rail. That includes sulphur, bauxite, sugar, coffee, molasses, tropical fruits such as bananas, and with the promise that that form of traffic is going to increase still more.

Senator BREWSTER. Bananas?

Mr. EASTMAN. Bananas are now moving from Gulf ports to New York.

Senator BREWSTER. They are bringing them into New Orleans, I take it?

Mr. EASTMAN. Yes.

Now, in addition to that, we have the fact that owing to the water situation along the coast, the efficiency of the colliers that supply New England with a large part of its coal from Hampton Roads has been diminished as much as 40 to 50 percent. That has already thrown a heavy load on the railroads carrying coal from the Pennsylvania fields, and it promises to throw a still heavier load on them in carrying coal over the long-haul routes from the West Virginia fields into New England.

In addition to that, the ore carriers on the Great Lakes are being called upon to carry about eighty-seven to eighty-eight million tons of iron ore this year as contrasted with 81,000,000 last year, which was



an all-time record. In order to enable those iron-ore boats to carry that iron ore this year, it has become necessary to divert as much coal as possible from the return hauls of these boats where it involves an increase in the round-trip time. For instance, when you move coal by lake to Chicago, that means that the ore boat moves down Lake Michigan to Chicago and then back up again and to the Lake Erie ports. If that coal movement to Chicago can be cut out, the round-trip time of the ore boats is decreased. We plan to have as much of that coal as possible shipped to Lake Erie and Lake Huron and Lake Michigan ports by rail instead of by water from the Lake Erie ports. That has already increased the load on the railroads and will increase it still more.

Another factor which may be a danger in the future is the situation with respect to the repair of the cars. One reason why the railroads have been able to do so splendidly thus far is the fact that they have reduced the percentage of bad-order cars and bad-order locomotives down to record figures. The last figures that I have indicate the percent of unserviceable freight cars is 3.5 percent; percent of unserviceable locomotives, 7.9 percent. Those are very low figures.

Now, there is danger that with the increased pressure which is being put upon the railroads, and particularly if that pressure should affect the personnel and their ships, and so on, they will be unable to maintain those excellent figures of percent of unserviceable cars.

The CHAIRMAN. Are the railroads having any difficulty with mechanics in their shops?

Mr. EASTMAN. I understand not yet, but it is not at all improbable that they will have such difficulty in the future as the selectees increase, and so on.

Now, another factor introducing a danger is the constantly increasing troop movements as our Army increases, and that, of course, doesn't affect freight directly but it does indirectly. Sometimes they have to take freight locomotives for those movements, which include the impedimenta as well as the men, and it interferes somewhat with the circulation of the freight traffic.

Looking still further ahead, one thing which is a greater danger than any I have mentioned is the rubber shortage and its effect upon truck transportation. It is difficult to know just what percentage of ton miles were carried by the trucks last year, but I feel certain that they carried at least 18 percent as many truck miles as the railroads, and those truck miles that the trucks carried were of the kind of freight which it is most difficult for the railroads to handle efficiently and economically—short-haul package freight, a great deal of it. If that burden should be imposed upon the railroads it would be a very serious thing indeed.

The CHAIRMAN. The livestock situation is another thing that is staring them in the face, isn't it? If the trucks give out, don't the trucks haul about 85 percent of the hogs to market and about 85 percent of the cattle?

Mr. EASTMAN. I can't give you the exact figures.

The CHAIRMAN. Well, Secretary of Agriculture Mr. Wickard testified those figures before the Senate Appropriations Committee last Monday.

Mr. EASTMAN. Yes.

The CHAIRMAN. And he was very much alarmed at the situation that was staring the farmers in the face to get those hogs and cattle that they are producing for food to market if the railroads couldn't handle them when the trucks gave out.

Mr. EASTMAN. I have no doubt he has the accurate figures on that, and I know that the trucks are handling a very large volume of the livestock traffic.

Besides the traffic which the trucks haul in competition with the railroads is the fact that in recent years the railroads have integrated the truck very closely into their own operations. They use trucks for terminal service very extensively in transfers, pickup and delivery service, and they use them along the road to take care of way station service, and that is one of the reasons why the turn-around of the railroad cars has increased, because of eliminating those short-haul movements by rail.

Now, I have been told, and I think it is correct, that the Pennsylvania Railroad is directly or indirectly the greatest single operator of trucks in this country. If the railroad should lose that help which they now receive from this auxiliary equipment, it would be a very serious thing indeed.

At the present time, looking at the general situation, the most congestion is found on the Pacific coast, particularly on the Southern Pacific Lines, in the East and in the South, but it must be remembered that right now—I have said there are no shortages right now except in tank cars—we are not at the peak of traffic. We are in the valley period.

The CHAIRMAN. When do you look for that peak, Mr. Eastman?

Mr. EASTMAN. The peak ordinarily comes in October. But last year it was cut down to more of a plateau than it had been in years past, and it began to be felt as early as May. The tendency under this war production is to level off at the peak to some extent, but the plateau is as serious in its effects as the peak, and more so in some respects, because it is easier to carry a surge of traffic for a short time than over a long period.

Now, coming to the ways of meeting these dangers which I see ahead, it seems to me there are just three. One is more equipment, more cars, more locomotives. Another is to make better use of what you have got in the way of equipment. The third is to reduce the work that the railroads have to do by curtailing traffic in some ways, if such ways can be found.

I would reverse the order in discussing those, and discuss the question of more equipment at the end and discuss first the question of making better use of what we have got.

One way of making better use of the equipment is to increase the circulatory speed, reduce the turn-around time, operate the cars and equipment faster, either by cutting the time on the road or by cutting it in the terminals. The cars spend about one-fifth, and I think that is too high, if anything, of the time on the road and four-fifths of the time in the terminals. So far as the road situation is concerned, the speed must be considered in connection with the necessity of making the most efficient use of the motive power.

Senator BREWSTER. How does that compare with ships? They don't have any such percentage, do they, on time?

Mr. EASTMAN. I can't tell you, sir; that, I think, would depend a great deal on how far the ship operated. On a short haul the terminal time might be very great in comparison.

Senator BREWSTER. And you haven't any comparable figure?

Mr. EASTMAN. No; I have no comparable figures. I do know that ships very often spend a long time in port in loading, and of course that time they spend would compare with the time spent on the sea in accordance with the length of the haul.

Another way of improving the movement on the road is by introducing longer sidings or new sidings, better signal systems. The railroads have done that to some extent in the past year.

The CHAIRMAN. Now you are going to come up against a steel shortage there, aren't you?

Mr. EASTMAN. Yes; I was going to say that is affected very much by the shortage in critical materials, when you come to signal systems, not only by the steel but by the copper.

The CHAIRMAN. I was thinking about the track for the long sidings.

Mr. EASTMAN. Yes; the track also. But something has been done along those lines, and the railroads and we are still looking at that.

Another way to improve the situation on the road is to avoid any congestion, because if congestion comes it slows the whole situation down very quickly. In order to guard against that, we now have a system under which we have received each day from every railroad, every important railroad, a daily report of traffic conditions on its whole line and on sections of its line and on terminals. Those are translated into routes and channels of movement, and by watching those we can see when a congestion is impending, and take steps, if necessary, to divert the traffic to some other route which is not congested. That, so far, is merely a safeguard for the future. We are just getting that in operation and as yet it has not been necessary to do anything of that kind. But we will have that information each day, as to just what the situation is on every road and at every important terminal.

Senator BURTON. Mr. Eastman, mechanically, then, you just notify a railroad that there is a congestion in a certain area and they will route their already loaded cars in some other direction, or is it slower of operation than that?

Mr. EASTMAN. Well, I have power under the Executive order to direct the movement of traffic, and we would do that probably by notifying the railroads to embargo for a time a certain route.

The CHAIRMAN. You would be in a position to send freight to Norfolk or Mobile, maybe, that ordinarily would go to New Orleans or New York in a case of that kind.

Mr. EASTMAN. That port situation is a matter by itself. I am coming to that in a moment.

Another thing to do in the case of the long-haul movement is to inventory the locomotive situation. We are undertaking to do that in order to discover where there may be any surplus of motive power which can be used to help out another railroad which is short. Already the railroads have done that. The Southern Pacific, for example, has been loaned equipment by several railroads. Boston & Maine is being loaned equipment by other railroads right now.

Coming to the terminal time, which, as I say, occupies at least four-fifths of the time the car spends on its journey, a large part of that



time is taken up in loading and unloading by the shipper. There, so far, the effort has been to improve that through cooperation with the shippers, and the regional advisory boards and chambers of commerce and other organizations have been very active in improving that situation, and I think that it has improved materially.

The CHAIRMAN. Isn't that going to become more acute as the truck situation grows more acute? The unloading of cars in most of these terminals depends almost entirely on the truck situation, doesn't it, except those that are loaded directly aboard ship?

Mr. EASTMAN. Well, the trucks, of course, take the stuff away from the terminals.

The CHAIRMAN. That is what I mean.

Mr. EASTMAN. But the car could be unloaded on the ground; many of them have been unloaded on the ground, in order to free the car for use on the road. But that situation, as I say, has been worked out in cooperation so far with the shippers and they have done an excellent job.

Senator BREWSTER. What do you feel as to how far that 80-percent figure can change? Of course, that seems a terrible amount of time for a car to spend in what is not its productive use. What we want is to keep them rolling.

Mr. EASTMAN. Yes.

Senator BREWSTER. How far do you feel it may be feasible to go, changing the habits of shippers?

Mr. EASTMAN. I think, as I say, the shippers have done an excellent job so far as their part of it is concerned. When it comes to the railroad part, I think you have got to bear in mind that cars don't move as a truck moves, ordinarily, directly from the point of origin to the point of destination. In the first place, they have to be switched to the points of loading. That takes time. Then the train has to be classified, cars have to be classified for movement assembly into a train. Very often in a movement it is necessary to stop at some intermediate terminal and reclassify the train. Some of it goes out over connecting lines or branch lines, and so on. There may be, in the course of a journey, two or three of those reclassifications of cars at intermediate terminals before you get finally to destination. The situation where the cars move straight in trainloads from origin to destination is comparatively rare. One reason why the Pocahontas Lines are so successful is because they do have so many trainload movements of coal directly from the mine to the sea or to Lake Erie. But I know the railroads are working hard on that thing. For me to undertake to investigate terminal operations in every part of the country would be a terrific job. I would have to have a very large force to undertake to do that.

One thing that can be done, and we are working on this with the railroads and it has been done to a considerable extent by the larger railroads, is to classify and assemble the trains better so that they can move through more intermediate terminals to destination in practically a trainload movement. By careful arrangement of the cars, very often a great deal of that terminal time can be saved, in connection with these new movements, such as petroleum, tank cars, and in the movements from the ports wherein we are endeavoring trainload movements just as far as possible.



The CHAIRMAN. You are endeavoring to move them by the shortest route, too, are you, in doing that? For instance, I know of one specific case where steel was shipped from Birmingham, Ala., to Memphis and then to St. Louis and then down to southwest Missouri, when there is a direct road from Birmingham, Ala., to southwest Missouri. Of course, the reason for that was to keep the freight all in the hands of one road.

Mr. EASTMAN. Well, the shippers have done a pretty good job, we think, in eliminating circuitous routing, and, of course, a great deal of the shipping right now is in the hands of the Government, in the hands of Army, Navy, and the Treasury Procurement Division.

The CHAIRMAN. This was an Army shipment that was made in this circuitous rate I am telling you about.

Mr. EASTMAN. Recently we have had to issue a warning to shippers, and that is to the effect that it was dangerous to confine their shipments to the most direct and shortest route that there were other reasonable routes which they ought to use. The minute they began shipping over the most direct and shortest route they began to congest that route when there were a number of other routes a little bit longer that were really efficient routes.

The CHAIRMAN. Of course, you have to use common sense on it.

Mr. EASTMAN. Yes.

The CHAIRMAN. And meet the situation as it arises in each case.

Mr. EASTMAN. Yes.

I come now to the movement to the ports about which you spoke, Mr. Chairman. That is a particular situation which has to be handled very carefully because there is great danger in view of the large amount of overseas shipping, of congestion arising at the ports, especially because of the delays which are likely to arise in connection with the movement of the vessels.

We have been handling that matter with the War Shipping Administration, the Army, the British Shipping Administration, and the Lend-Lease Agency, which controls a lot of the overseas traffic which is not controlled by the Army, and we have reached an agreement with those agencies on a plan for handling the movement of the traffic to the ports. That involves the determination of what ports the ships will come to and the release of the cars to those ports when we have reason to believe the ships will be ready for them. That plan has been agreed to by all of those agencies and is in operation now. We don't like to describe that in detail because it involves so much intimate information in regard to ship movements which would be of great use to the enemy if they knew about them.

The CHAIRMAN. We are not asking that you do that.

Mr. EASTMAN. No, sir; but we have worked out a plan in cooperation with those other agencies which I believe will control that situation pretty well.

In that connection with the movements to ports, we have the storage question, which has been put in my hands by the Executive order also, that is, so far as recommendations and advice are concerned. That includes not only storage at the ports, which is to be avoided as much as possible, but the establishment of regulatory storage warehouses within striking distance of the ports so that shipments can be accumulated there just as storage reservoirs for storage reservoir purposes, in order that there may always be a supply on hand which can be moved

directly to the ports when the ships want them. In addition to that, there are the dead-storage warehouses, warehouses for long-time storage back in the interior. There will be increasing need for all those.

Our organization is working in close harmony with the warehouse people and has information as to all of the existing warehouse space. We can help any agency determine or find out what space is available. We are undertaking to serve as a means of bringing unused factories and other unused buildings into play for storage purposes, and we are also giving such advice as we can to the Army and the lease-lend agency in regard to the construction of new storage facilities.

Senator BREWSTER. Do I understand that the War Shipping Administration in foreign ships and yourselves in inland transportation have a full and final control as to traffic, the two of you together?

Mr. EASTMAN. Yes. The War Shipping Administration for the ships and my organization for the land.

Senator BREWSTER. So that your two agencies together would accept full responsibility for the most efficient utilization of our facilities?

Mr. EASTMAN. Yes. I think I might say that I think that wouldn't apply to Army movements.

Senator BREWSTER. You are not clear that you could control those?

Mr. EASTMAN. Well, I am not clear that the War Shipping Administration undertakes to control the movement of troops and impedimenta for the direct Army use.

Senator BREWSTER. I think that is a matter of interest because those questions are arising.

Mr. EASTMAN. Mr. Turney, who is handling that matter for me, says that this plan does include even those Army movements.

Senator BREWSTER. So that those two agencies could make the final decision, of course, in consultation.

Mr. EASTMAN. Of course, the Army is in on this plan.

Senator BREWSTER. Well, I understand that.

Mr. EASTMAN. We have representatives of the War Shipping Administration, the Army, the Lease-Lend, and ourselves, and the British Shipping Administration.

Senator BREWSTER. That is, on your committee, of which you are chairman?

Mr. EASTMAN. No; I am not chairman of it. This is an organization which is located down in the War Department. Each one of these agencies has a representative who is there all the time working on that problem. They work together, in collaboration.

Senator BREWSTER. That is, you have a representative there, I presume.

Mr. EASTMAN. Yes, sir.

Senator BREWSTER. How do you tie in with the Canadian roads and ports?

Mr. TURNERY.<sup>1</sup> Through the British War Ministry and the Comptroller of the Canadian Railroads.

Senator BREWSTER. We think in rather continental terms because we are on the dividing line. We have never known whether we were Canadian or American ports up there in Maine, and I wondered how you integrated that situation.

<sup>1</sup> John R. Turney, Director, Division of Traffic Movement, Office of Defense Transportation.

Mr. EASTMAN. Mr. Turney's answer is that that is handled through the Canadian Comptroller of Railroads and the British Shipping Administration.

Senator BREWSTER. Do they have a representative in your group?

Mr. EASTMAN. The British Shipping Administration has. The Canadian officer does not have.

Mr. TURNY. That is correct.

Senator BREWSTER. So that you are the liaison man with the Canadian Railroad Administration.

Mr. EASTMAN. Yes; we are in contact with Mr. Lockwood.

Senator BREWSTER. And how do you handle the matter of interchange of cars and equipment?

Mr. EASTMAN. I don't think that any difficulties have arisen with respect to that matter as yet. We have had no occasion.

Mr. TURNY. All export shipments from Canada are controlled under permits of Mr. Lockwood, the Canadian Comptroller of Transport.

Senator BREWSTER. I am thinking in terms of Detroit, for instance, which is not export but which the Canadian roads handle a good deal of and are equipped to handle. That would be through traffic.

Mr. TURNY. There has been no change there.

Mr. EASTMAN. Now, I have covered the question of increasing the circulatory time in cars. Another way to use to better advantage that we have is by increasing the loading of cars. Shippers load the carload freight; the railroads load the less-than-carload. We have issued an order intended to improve the loading of less-than-carload freight by the railroads, which becomes effective on May 1. The less-than-carload freight has accounted for less than one and one-half percent of the carload tonnage, but it uses less than 1 percent of the cars. They have been very lightly loaded to an average of about 5 tons per car. Under this plan we hope to bring the loading up to an average minimum of 8 tons for the first 2 months beginning May 1, and to 10 tons per car by September. Under that order, they are allowed, with our approval, to enter into joint arrangements for pooling their loading, their shipping days, and that sort of thing, and also for entering into arrangements with trucks so that the trucks can bring the loads to and from the concentration points.

The interesting thing is that although that order has not yet become effective, the information that we have indicates that since it was issued, the loading of the merchandise freight has materially improved. The number of cars loaded in the week ended April 11, 1942, was 18 percent less than it was a year ago, although the movement of freight is upward.

The CHAIRMAN. Increased?

Mr. EASTMAN. Yes.

The CHAIRMAN. That is a very good sign.

Mr. EASTMAN. Yes. As far as the loading of cars by the shippers is concerned, that so far has been worked out in cooperation with the shippers. The railroads have been working in very close contact with them and the shippers have been endeavoring to improve their loading. I think that that is a situation where still more improvement is possible, probably considerably more improvement.



We are considering, only considering for the time being, the possibility of orders to control that situation, but we shall get in touch with the shippers before we issue any such orders because of certain matters which must be borne in mind, and that is the ability of any form of traffic to load to capacity in view of the packaging that is now possible, and the question of commercial needs. Many of the carload minima have been adapted to the needs of these smaller shippers. We think that matter can be improved by tariff changes permitting stop-offs, unloading in transit, in other words double loading of the cars by shippers, and so on. But I do think that there is an opportunity for improvement which has not yet been fully utilized.

I want to point out this in that connection, that you can divide the railroad system into compartments from the standpoint of cars, to some extent. What I have been saying applies to boxcars. When it comes to open-top cars, the hoppers, the gondolas, the flatcars, they are already loaded to capacity. They carry the coal, iron ore, copper ore, lead and zinc, bauxite, scrap, limestone, steel, box trucks, box tanks, armament of various kinds. The demand for them under the war-production effort has materially increased.

The CHAIRMAN. Is there any possibility of increasing the number of those cars?

Mr. EASTMAN. Well, that is a matter that I am coming to in just a moment.

I wanted to point out that when it comes to improving the loading, that doesn't apply to the open-top cars.

The CHAIRMAN. It applies only to boxcars?

Mr. EASTMAN. Practically only to the boxcars. There may be sporadic cases where you could improve the loading of open tops, but mostly they are loaded to capacity. Furthermore, it is a situation where there are few cross hauls in the case of these war materials, and it is a form of traffic which affects the war effort directly and immediately, the carriage of oil or limestone, and all those things. If there is any shortage in that it would be reflected in a contraction of the war effort, the war production effort, at once.

Now, another way in which the railroad situation can be improved is by the substitution of trucks for the rails, and vice versa, where one is more efficient than the other. Under our l. c. l. order that is being accomplished to a certain extent. It is also being accomplished in the case of tank cars. The tank car is the most inefficient thing for short hauls. The tank truck is far more efficient. Very often one tank truck shuttling back and forth over a short haul can do the work of several cars. Now we are working in very close contact with Secretary Ickes' organization with respect to that matter. We are undertaking to locate all the available tank trucks in the country to find out where there are any surpluses, and where trucks could be used to greater capacity or could be diverted to some other part of the country where they could be substituted for a tank car. Already there have been extensive substitutions of that kind, and that is one of the things that has improved the tank car situation. I think more still is possible in that direction.

The CHAIRMAN. We are going to be up against it again, though, on the rubber situation.

Mr. EASTMAN. Yes. That is a thing that won't continue indefinitely.



Senator BURTON. Mr. Eastman, on the use of those tank cars, does that come up to the estimates that were made by Mr. Pelley and the Railroad Association when we had the controversy about the petroleum shortage some months ago?

Mr. EASTMAN. My recollection—and Judge Fletcher can correct me on this if I am wrong—is that at the time of that controversy Mr. Pelley thought that the railroads could move about 200,000 barrels a day to the eastern seaboard. Last week they moved nearly 600,000.

Mr. FLETCHER.<sup>1</sup> As usual, the Director is correct.

Mr. EASTMAN. Another way of improving the situation, and this is very important, is by spreading the load, cutting down the peak. One reason why the railroads were able to get by as well as they did with the peak of last year was because of the campaign on the part of commercial organizations and others to bring about a loading of coal, the movement of coal, in the spring and summer months instead of waiting until the fall. It is very important that that be done this year, and efforts are being made through commercial organizations and others to promote such moving, not only of coal, but of every other form of traffic which is capable of storage, because if this peak can be cut down, that greatly improves the railroad situation.

Do you wish to go now?

The CHAIRMAN. I would like to finish, Mr. Eastman, if you don't mind proceeding for another half hour. Can you get through in a half hour?

Mr. EASTMAN. I will do my best. I have a lot to cover besides railroads.

The CHAIRMAN. I don't want to hurry you. This is most important, but I am sure the committee is willing to listen for another half or three-quarters of an hour if you are willing to go ahead.

Mr. EASTMAN. Yes, sir.

Another way which has been suggested of improving the situation is by reducing the amount of work which the railroads have to do; that is, by curtailing traffic. That could be done, in the first place, by eliminating cross hauls. There are cross hauls in connection with the war-production program, and we are working on that matter with the War Production Board.

The CHAIRMAN. For the record, explain just what a cross haul is. Some of us don't understand it exactly.

Mr. EASTMAN. Well, it means, for example, you may move aluminum from St. Louis to New York to do something with it there and then move it back to St. Louis.

The CHAIRMAN. I understand.

Mr. EASTMAN. Or, in the case of canned goods, for example, one concern may be moving canned goods from Chicago to Buffalo, and another concern may be moving exactly the same kind of canned goods or as good canned goods from Buffalo back to Chicago. That is what I mean by cross hauls.

There are cross hauls in connection with the war-production program largely brought about by the location of the plants and the awarding of contracts. That is a matter on which we are working with the War Production Board to see if anything can be done about that.

<sup>1</sup> R. V. Fletcher, vice president, Association of American Railroads.

When you get to civilian traffic, you get into a pretty difficult situation and it is doubtful, in my mind, whether that ought to be controlled, if it needs to be controlled, through the railroads. The railroads, to my mind, ought to move the traffic which is offered to them. When it comes to eliminating cross hauls in the case of a thing like canned goods, for example, that is really a question of restricting marketing. I talked to a producer of an important brand of canned goods yesterday about that, and I said, "Could you eliminate cross hauls in connection with your kind of canned goods?"

He said, "Yes; and we would be very glad to do it because we have plants located all over the country." He said it would be very hard on the small producer who hasn't plants so located and therefore hesitated to suggest any such thing.

That is a matter, it seems to me, that ought to be considered by other people as well as the Office of Defense Transportation before it undertakes to change such a marketing situation by curbing the movements by rail.

A further means of curbing traffic which I hope we never get to is by rationing, by eliminating the so-called non-essential traffic. That would have to be done by embargoes or a priorities system. I believe that if that were started, the result would be to slow down traffic generally by introducing an element of great confusion into the situation, by making shippers panicky, and so on, and by requiring the creation of a tremendous organization to administer.

The CHAIRMAN. That is not now in contemplation?

Mr. EASTMAN. Not now in contemplation, and I hope, as I say, that we don't ever have to do that, and as a matter of fact, we are getting to the point now where there is very little nonessential traffic, because the production of nonessential articles is being stopped, and that is the way it ought to be handled. In other words, if there are things that ought not to move, they ought not to be produced; and they ought not to be produced and then be told that they can't be moved.

That brings me down to the final way of meeting this situation.

Senator BURTON. Could I interrupt you just for one question there? The other day when Mr. Nelson was here he brought up the question of airplanes being manufactured, for example, at one point and then they are being shipped for assembly at another point.

Mr. EASTMAN. Yes.

Senator BURTON. Shouldn't he get together with you and others to have them completed at the first point and thereby eliminate the transportation item?

Mr. EASTMAN. Well, we as a matter of fact, are working on that very matter with the War Production Board.

Now I come down to the question as to whether there should be more cars, more locomotives. That is a question that I can't determine, and very properly so. It has to be determined by the War Production Board in connection with the allocation of critical materials, because these cars and locomotives do require critical materials. Under my executive order I have to make recommendations to the War Production Board, and I have the greatest sympathy with that Board. I think they have a superhuman job in endeavoring to allocate those materials. They have got to provide the steel for the ships that Admiral Land was talking about this morning; they have got to provide the steel for the naval vessels which guard those ships; and they have

got to provide the steel for the synthetic rubber plants, and so on. And the question, when there isn't enough to go around, comes as to where you will make your cuts.

The CHAIRMAN. I had a conversation with two of the great railroad presidents, one of the greatest western roads and one of the greatest eastern roads, and their main worry seemed to be the replacements that are likely to be affected by priorities, for instance steel rails.

Mr. EASTMAN. Yes.

The CHAIRMAN. And particularly the repair material that is necessary to keep these cars and engines running.

Mr. EASTMAN. Well, so far as the repair material is concerned, we have had no disagreement as yet with the War Production Board.

The CHAIRMAN. You understand that rail and cars and everything else, with this tremendous load that is going to be put on us, are going to wear out faster. We will have to have more repair materials, and while it is necessary to have ships and everything of that sort, unless you can get the materials to the ships there is no use having the ships.

Mr. EASTMAN. It is absolutely vital to provide repair material for the facilities and equipment that we have. I don't think there can be the slightest doubt about that. We made recommendations with respect to that matter, and they were accepted by the Section of Requirements of the War Production Board. We haven't had any disagreement on that matter. However, one of the difficulties has been that after the allocations were made, then it has sometimes been difficult to get the materials.

The CHAIRMAN. To get what you have a right to get.

Senator HERRING. Mr. Eastman, before we get away from it, you may recall a couple of weeks ago I addressed a letter to you with a protest from a group claiming that the railways were using open cars to transport coal across one, two, or three States to be used in States where there was a supply of coal available at terminals, and I understand that in the last war, by direct order, they were prohibited from doing that. I wonder if you received that.

Mr. EASTMAN. Yes; I received that; and I also received a delegation from the Centerville Mines.

Senator HERRING. That is where it came from.

Mr. EASTMAN. Yesterday that was, and they produced a large amount of data which I told them that I had studied.

Senator HERRING. It seems as though they had a just protest.

Mr. EASTMAN. Yes. My understanding—I won't say it is the right understanding—is that there has been some question about the quality of that Iowa coal as compared to other available coal.

Senator HERRING. There is also a question about receiverships between some of those controlling mines over the other States and the railroads.

Mr. EASTMAN. That may be, I don't know.

Senator HERRING. I do.

Mr. EASTMAN. I promised to look into that matter, Senator.

Senator HERRING. Fine!

The CHAIRMAN. I think that would have exactly the same sort of procedure as the canned goods you were talking about awhile ago between Buffalo and Chicago. I think, depending on the quality, of



course, we all admit that there are some States that have better coal than others, but most of us live in States that have pretty good coal, except Maine.

Mr. EASTMAN. On this matter of new equipment, I made recommendations to the War Production Board, but the final verdict is not in on that matter yet. I am to appear before the War Production Board next Tuesday and go into that matter further and until I find out what the final verdict is I prefer not to go into a more extensive discussion of that matter.

The CHAIRMAN. I think you are perfectly right on that.

Mr. EASTMAN. I shall urge certain things upon them, and that is that the capacity for building locomotives and cars has been considerably curtailed by conversion of those plants to other uses. I think it is most important, and particularly in view of the rubber shortage ahead, that that capacity be kept open for railroad use and that there be no further conversion which would prevent its use in the future. I also think that the locomotive, open-top and special-car situations are particularly deserving of consideration in connection with the war effort.

The CHAIRMAN. Don't forget that replacement of steel for tracks, because unless you have tracks you can't have anything.

Mr. EASTMAN. You are quite right about that.

Now, coming to the railroad passenger situation, of course there has been a drop in railroad passenger traffic since 1920. It has continually slid downhill until this war situation arose. That has been caused by the rapid expansion of the highway automotive vehicle. I was interested to find out that last year the railroads which had the heavy increase in passenger traffic last year, carried 25,000,000,000 passenger miles. The busses carried 15,000,000,000. That surprised me.

The CHAIRMAN. That is interesting.

Senator BURTON. Fifteen?

The CHAIRMAN. They carried three-fifths of the passengers that the railroads did.

Mr. EASTMAN. The railroads carried twenty-five billion and the busses carried fifteen.

Mr. TURNER. That is right.

Mr. EASTMAN. That is right. In addition to that, we have no positive figures, but it is practically certain that the passenger cars, private automobiles, and intercity transportation carried five times as much as both combined, both rails and busses.

The CHAIRMAN. Five times as much as both of them put together?

Mr. EASTMAN. Both of them put together.

The CHAIRMAN. That would be 5 times 40.

Mr. EASTMAN. Yes.

The CHAIRMAN. That would be 200,000,000,000.

Senator HERRING. That is right.

Mr. EASTMAN. When I was Coordinator we made a study of that situation, and we found that the automobile had increased the travel habit fivefold, and I think at that time the estimate of the number of passenger miles they carried compared with the common carriers was nine tons.

Mr. TURNER. Yes.



Mr. EASTMAN. Now, because of this introduction of the highway vehicle, the number of cars and locomotives used by the railroads in passenger traffic has been continually declining since 1920, so that they are nowhere near as well prepared to handle passenger business now as they were at the time of the last war. They haven't got the cars and the equipment.

Looking forward to the dangers ahead in the case of the passenger traffic, you have the promise of continually increasing troop movements as the Army expands, and they impose a tremendous strain upon railroad passenger traffic. Those needs have to be met immediately without delay. You have the increased load imposed by the selectees moving to the encampments and by the furloughed men after they get there. You have the increased load incident to war activities of which the passenger traffic to and from Washington is a startling example. You have the demand that the railroads furnish commutation service to the war plants in some places. You have the fact that as luxuries begin to become less available to the people, the American public, which is earning good money now, have more money to spend, and nowhere to spend it except on travel. That happened in England and Germany and caused a large increase in their passenger travel.

Senator BREWSTER. I think we might get a little vacation business by railroad, then.

Mr. EASTMAN. And finally, you have the greatest threat of all, and that is the passenger car situation; if the passenger car begins to fade as a means of carrying people in intercity travel the burden which is going to be thrown upon the railroads will be very great, indeed.

As far as remedies are concerned, we have had no encouragement with respect to more equipment. Mr. Budd, who was my predecessor on this job, recommended that material be allowed for additional passenger cars, but that was not done, and I have had no encouragement with respect to allocations for materials for passenger cars. Some have been built during the past year and are being completed now, but not a great many.

The CHAIRMAN. Then it looks as if the passenger traffic is up against it. It looks as if we are either going to have to walk or we will have to raise some more mules. It would be good for Missouri if we did that.

Mr. EASTMAN. We are not up against it now, but as time goes on, the prospects are certainly bad.

Now, one thing we are trying to do, we are endeavoring to make a search of the passenger cars operated by the railroads to find out where any surplus cars may be, and where trains are carrying more cars than necessary, or where perhaps on some branch lines trains are being operated that could be eliminated. In other words, to find out how much surplus accumulation there is which could be made available for use elsewhere.

The CHAIRMAN. There is one thing to be taken into consideration in that branch-line situation, Mr. Eastman. If the automobile traffic is substantially eliminated, and from present prospects it is likely to come, that branch-line situation is going to be a problem in itself because you are going to find those people asking for passenger service on those branch lines that are not now even furnishing passenger service.

Mr. EASTMAN. That is true. Of course, I think the prospects are, or should be, that the busses can be kept in operation longer than the passenger cars.

The CHAIRMAN. I think that is true.

Mr. EASTMAN. And I have heard a good many people say that the busses ought to be taken off the road and used around war encampments, and so on. I have already pointed out to you that they operated 15,000,000,000 passenger-miles compared with 25,000,000,000 for the railroads, and the fact is that since the introduction of the highway automotive vehicle, the distribution of the population of this country has changed materially. Towns that were important in the old railroad days have ceased to have importance. Some that were not located on railroads at all have become more important. And these busses furnish a service which is not duplicated by the railroad service, in many cases. The railroads themselves often control bus lines and have financial interests in others. It is a different kind of service that the bus is performing, and very usually it is a short-haul service. A bus may operate over a long distance, but you find it is an on-and-off service and they are serving a lot of these communities which used to be served by railroad branch lines, and if the but were to be taken off as well as the railroad passenger trains, many of those point would be in serious difficulties.

Now I turn to the subject of water transportation, briefly.

The CHAIRMAN. We are very much interested in that.

Mr. EASTMAN. The intercoastal and coastwise shipping is practically out. There is still some coastwise left; no intercoastal. There remains the Great Lakes shipping, the inland waterways, and the intracoastal waterways. On the Great Lakes I have already described the problem that the ore carriers there have in bringing the iron ore down to the Lake Erie and Lake Michigan ports. So far as the Mississippi River situation is concerned—and I speak of the Mississippi River system including the Ohio and the other branches—I understand that the available equipment is now loaded to capacity northbound. Southbound they still have some surplus, but northbound they are carrying great quantities of sulfur, for example, great quantities of scrap; they are carrying great quantities of oil, and they are being used to full capacity at the present time. We have asked for more equipment for the inland waterways. That request has not yet been passed upon by the War Production Board.

The CHAIRMAN. That requires steel.

Mr. EASTMAN. Yes.

The CHAIRMAN. How about using wooden carriers on the rivers?

Mr. EASTMAN. Well, if I may mention first the intracoastal canal along the Atlantic—

The CHAIRMAN. Go ahead.

Mr. EASTMAN. There is a canal which I think is capable of hauling boats with something like a 10- or 10½-foot draft from Jacksonville up to the Delaware breakwater. South of Jacksonville there is a stretch that goes down to Port Everglades, and that is tortuous and shallow. It is supposed to be dredged to a depth of 8 feet, but is not. The traffic on that intracoastal waterway has been sparse. We made an investigation to find out whether by tests we could get boats to go to carry sugar from Jacksonville up the coast. Our estimates indi-

cate that existing equipment would carry about 30,000 tons of sugar a month on that canal.

Senator BREWSTER. That is on account of a shortage of ships?

Mr. EASTMAN. Yes; and vessels. When it comes to wooden equipment, there seems to be a difference in opinion or a difference in situation as between the intracoastal coastal waterway and the Mississippi River system. Along the coast, the waterway there, they tow the vessels by hawser to the barges, and it seems to be agreed that they could tow wooden barges. Those could be used on that intracoastal waterway. They wouldn't be as efficient as steel vessels. I think you must bear in mind that whatever new equipment is provided for that intracoastal waterway isn't going to be of use after the war is over, because it is so much more efficient to carry the stuff out in the ocean than it is along the waterways. So the burden ought to be borne, any financial burden, by the Government, it seems to me. But the best opinion I can get is that probably wooden barges could be used on that intracoastal waterway.

When it comes to the Mississippi River system, there seems to be a very serious difference of opinion on that. They do not tow their barges there. They push them, and they push them in huge aggregations, and they say that bucking the current and going into the locks, and so on, particularly if steel barges were mixed with wooden barges, the wooden barges wouldn't stand up, that they would be broken. They also would have to be smaller than the steel barges.

That is a matter that I haven't made any final investigation of. I am just giving you the benefit of the best opinion I have been able to get on that point. It is to the effect that wooden barges could be used on the Atlantic intracoastal waterway and on the New York Barge Canal where they do use them now, but they probably could not be used to advantage on the Mississippi River system.

Senator BURTON. Mr. Eastman, sometime ago Admiral Land was interested in a suggestion of concrete barges. Has that been followed up?

Mr. EASTMAN. I think it has. I don't want to give you a positive opinion on that thing, but I think that I asked one of my men in the waterway work about that, and his opinion was adverse to concrete barges, but don't take that as a final answer.

Senator BURTON. That was for the intracoastal work particularly.

Mr. EASTMAN. Yes.

Now there is some equipment on the New York State Barge Canal which apparently is not in full use now, and equipment around the harbor and sound which could be used for hauling coal even from Norfolk up the coast to supplement the movement by collier at the present time. We don't yet know how extensive that is, but we know that there is quite a little.

Senator BREWSTER. What is the effect of this recent taking over of the shipping insofar as the legislation we adopted last year which froze the colliers in the New England trade?

Mr. EASTMAN. I can't give you the legal answer to that. I understand that that taking over, that requisitioning of boats, is not effective until they actually take possession of the vessel, and in the case of the colliers they have promised them that they would not take the colliers over without consulting me beforehand about that matter.



Senator BREWSTER. But that was the action of the Maritime Commission.

Mr. EASTMAN. The War Shipping Administration, I believe.

Senator BREWSTER. So that as far as your present information goes, they have not taken the colliers.

Mr. EASTMAN. They have not as yet.

Senator BREWSTER. So those still remain under the regulations of that legislation we adopted last year.

Mr. EASTMAN. Yes, sir; that is my understanding.

Senator BREWSTER. Which would mean that colliers could not be removed from that New England service at the present time.

Mr. EASTMAN. Well, there you have a legal question which I wouldn't venture to express an opinion on as to whether there is any other statutory authority in connection with the war which would supersede that legislation. I don't know.

Senator BREWSTER. I was entirely innocent in the question. I thought if the Maritime Commission had taken them over it might well be that the status was superseded. I had assumed that until that, that was the last statutory regulation on the matter. I don't pretend to have complete knowledge. Are you at the present time advised of the movements of those colliers? Does it come into your organization?

Mr. EASTMAN. Yes; we are at the present time devoting a good deal of attention to that question and moving coal to New England, and we know how those colliers are being moved at the present time, about the decrease in efficiency, and so on. We are trying to plan out trainload movements of coal from the West Virginia fields through the Hagerstown and Potomac Yard gateways to such ports as Philadelphia and New York, which might release some vessels which could be used for the longer hauls to New England.

Senator BREWSTER. I assume that that legislation affected those ships very definitely with public trust. We didn't freeze those ships in that trade for the service of the private owners or their customers. You would assume that was certainly the intention of Congress, would you not, in its enactment?

Mr. EASTMAN. It looks so to me.

Senator BREWSTER. In other words, that Congress could never have legislated a monopoly of those vessels exclusively for the benefit of any private owners or customers.

Mr. EASTMAN. I wouldn't think so, Senator.

Senator BREWSTER. I point that out so that the very definite phases of the responsibility which rest on you may be recognized, because, as you know, it is a pretty serious question up there.

Mr. EASTMAN. Very.

Senator BREWSTER. And there is going to be the problem of discrimination as between States, sections, industries, and so on, and it is distinctly an unusual situation as a result of that legislation.

Mr. EASTMAN. Well, I will endeavor to keep that legislation in mind in any contact I have with them.

So far as pipe lines are concerned, there I share responsibility with the Petroleum Coordinator in regard to that matter. Studies are being made, have been made, with respect to the reversal of pipe lines serving the eastern seaboard, which formerly had transported gasoline from the seaboard to interior points; reversing it would enable



them to transport crude from the interior points to the seaboard, and thus shorten the rail haul in getting the oil to that point. Also, they are studying the opportunities for, perhaps, abandoning some of the great network of pipe lines down in the Southwest, and using the pipe so recovered to build links in existing systems that may enable the movement of gasoline all the way through to the coast from the interior. Have I stated that correctly, Mr. Dow?

Mr. Dow.<sup>1</sup> Yes.

Mr. EASTMAN. Coming to the subject of motor transportation—

Senator BREWSTER (interposing). Before you leave that pipe line, there has been a great deal of public discussion of building a considerably more comprehensive pipe line. Mr. Ickes has been urging it.

Mr. EASTMAN. Yes.

Senator BREWSTER. I understand that that is now being renewed, his representation in that regard. Is that a matter on which you have made a recommendation?

Mr. EASTMAN. No; it is not. I made a report the other day on the proposed construction of a pipe line from the midcontinent field to Savannah for the carriage of crude oil. I agreed with the Board to let them hold a little hearing on that matter, and the Board reported against it, and I made my report, and at the end of that I may say that the question involved was whether I should recommend to the President that he exercise his authority under the Cole Act of last year to issue a proclamation to the effect that that pipe line was required in the national interest. That is the only question I had before me, whether I should make such a recommendation, and at the end of that I said that I was convinced that the construction of pipe lines, more pipe lines to the East, was necessary, considered by itself, but that there were so many other agencies that had responsibility with respect to that matter that I didn't feel that I ought to undertake an investigation of that all by myself, and I said that I would gladly join with other agencies in investigating that matter, and named a man whom I would select as my representative if such an investigation were made. Of course, the most important question, perhaps, in connection with the construction of such pipe lines is the steel question, the question of whether you can spare the steel to do it, and that is primarily a question for the War Production Board, and, of course, Secretary Ickes is greatly interested in that question, too.

Senator BREWSTER. You approached it from the transportation standpoint, I assume.

Mr. EASTMAN. Yes.

Senator BREWSTER. Not from the steel or oil standpoint.

Mr. EASTMAN. No; I didn't approach it from the steel standpoint. I was guided in my conclusions by the lack of convincing evidence in regard to that particular pipe line.

Senator BREWSTER. Is that the Savannah one, the one Mr. Ickes has been urging?

Mr. EASTMAN. No.

Senator BREWSTER. It is not?

Mr. EASTMAN. No. The one he is urging is the pipe line for the carriage of refined petroleum, gasoline, all the way from Texas to the East, isn't it, a 20-inch pipe line.

<sup>1</sup> Fayette B. Dow, Assistant on Tankers, Tank Cars, Tank Trucks, and Pipe Lines, Office of Defense Transportation.

Senator BREWSTER. Where would that run to?

Mr. EASTMAN. That would run to New York, wouldn't it?

Mr. DOW. Philadelphia and New York area from the Southwest.

Mr. EASTMAN. He is my petroleum assistant.

Mr. DOW. That large pipe line, defense pipe line, which Mr. Ickes has advocated twice, will have a capacity of approximately 250,000 barrels a day, and assuming that all deliveries by ships are eliminated, certainly additional pipe-line facilities would be needed to take care of the eastern area.

Senator BURTON. Mr. Chairman, I might just ask Mr. Dow, with regard to the two other times it was urged by Secretary Ickes, as I understood it the stumbling block, and the primary, initial stumbling block, was the inability to get the steel to do it. It would take a tremendous amount of steel to do that.

Mr. DOW. That is correct.

The CHAIRMAN. Proceed, Mr. Eastman.

Mr. EASTMAN. I might say, in passing, before I go to motor transportation, that so far as air carriers are concerned, I have done practically nothing. It seemed to me that that matter was being pretty well handled now. I have endeavored to keep in touch with it, but I haven't created any part of my organization to deal with the subject of air carriage.

Now, on motor transportation, freight transportation, we have this situation, that there will be no more trucks, no more trucks are being built, and, of course, tire supply is very limited, better in the case of the private automobile, but it is nevertheless bad. The main problem, therefore, is clearly to make the trucks that we have last as long as possible, and that involves the conservation of the tires which we have and the conservation of the vehicles themselves. We have had working on that the best men that we could find in respect to the use of tires and the maintenance of the vehicles, and a primer is being printed now with a foreword by the President, and a great many illustrations, and it will be broadcast all over the country. It will give the best available information to all truck owners as to how to keep their trucks and tires in good condition, and committees are being established also to consider the matter of reclaiming parts which in the past have been thrown away, and making them useful.

I might say that, to show what can be done in the case of tires, the busses, that is most of the big bus companies, do not buy their tires, but they lease them from the tire-manufacturing companies, and the tire-manufacturing companies assume the care of those tires. The programs that they have established for that purpose have resulted in extraordinary mileages being gotten out of bus tires in comparison with what the ordinary truck owner gets out of his tires, perhaps two or three times as much mileage. That is just an illustration of what can be done.

Senator BURTON. Mr. Eastman, just before you leave that, in view of what you have just said about the large proportion of passenger traffic carried by busses and freight traffic carried by busses, our greatest supply of rubber for tires is now on the busses.

Mr. EASTMAN. That is right.

Senator BURTON. Aren't you dealing right there with the most critical factor, perhaps, in the whole survival of the bus-transportation industry?

Mr. EASTMAN. I think, as I said in the speech the other night, that the stock of motor vehicles and their tires is the most precious stockpile we have in this country at the present time, and it is more precious than that stock of gold that we have out in Kentucky.

The CHAIRMAN. And we are wasting it because we don't realize that point yet.

Senator BREWSTER. Were you through with the truck thing there?

Mr. EASTMAN. No; I was going to say on the matter of trucks, in addition to the conservation of the tires and the vehicles, there is the question of the elimination of waste. Now today, we are getting out orders directed to common carriers, contract carriers, and private carriers hauling for distances over 15 miles, and a separate order directed to delivery trucks within distances of 15 miles, under which we undertake to require the elimination of certain forms of waste. We require these delivery trucks, for example, to cease making special deliveries, to make only one delivery to any person for a day, to avoid call-backs, and on top of that require them to cut their mileage 25 percent, and then authorize pooling arrangements to bring that about. In the case of the common carrier, contract and private carrier trucks with the longer hauls, we are requiring a loading of 100 percent in one direction and not less than 75 percent in the other, subject, of course, to certain exceptions, and we are requiring them to route traffic by the direct route and avoid circuitous routes, which is defined as any route more than 10 percent over the direct route.

Those orders have been made effective May 15. I imagine there will be a lot of criticism and protests in regard to them, but we will have to endeavor to work that out. We are undertaking to eliminate the empty hauls in the duplicate use of these trucks. In those orders as affecting the long-haul carriers, just as in the case of the short-haul carriers, we authorize pooling arrangements and that sort of thing subject to our approval, by which they can get together and avoid some of this waste which has been conspicuous in the past.

Senator BREWSTER. Your Trucking Division passes upon applications for the purchase of new trucks; does it not?

Mr. EASTMAN. It does.

Senator BREWSTER. It makes recommendations?

Mr. EASTMAN. Yes.

Senator BREWSTER. To the War Production Board?

Mr. EASTMAN. Yes.

Senator BREWSTER. Up in our country where the use is largely seasonal, quite a problem has been presented on that by reason of what I have understood was the monthly allocation. We have, I believe it is 500 trucks in Maine, that we can have this year. We get 50 a month. It happens that we sometimes have a year we can't use any trucks there; at other times we have a great demand. Is there any possibility of that monthly allocation being modified?

Mr. EASTMAN. I should think there would be a possibility. I will inquire into that. I am not quite certain just how that is handled, whether that allocation is made by us or made by the War Production Board.

Senator BREWSTER. I think it is probably by the War Production Board, but I know that your agent up there has been considerably distressed over it, and I don't know whether that is possible.



Mr. EASTMAN. I will look into that. I may say that there are only 150,000 trucks to be allocated, and they are being allocated at about the rate of 9,000 a month for the entire country. Of course, we have to turn down about 9 applications to every 1 that we grant, and we are not very popular.

Senator BREWSTER. We weren't raising any question about the quantity of our allocation. It was only this time element on account of the seasonal factor.

The CHAIRMAN. Another thing I am interested in, Mr. Eastman, is the farm-truck situation. Have you given that any consideration?

Mr. EASTMAN. Yes; we have given that a great deal of consideration, working in very close harmony with the Department of Agriculture in regard to that.

The CHAIRMAN. Mr. Wickard was very emphatic in his statement before the Appropriations Committee the other day, that the farmers were going to be in serious distress for the movement of food to market if the truck situation developed as it is now and as it is anticipated.

Mr. EASTMAN. Well, we haven't issued any order with respect to the farm vehicles, but a meeting was held here last week, which I attended for a short time, which the Assistant Secretary of the Department of Agriculture attended. Mr. Rogers, the head of my Division of Motor Transport, presided at that meeting. They had representatives from all the farm organizations, and so on, and they agreed upon a plan for the conservation of farm vehicles, which involves joint use and swapping, and all that sort of thing, and that is to be tried out in one or two picked areas to see what the bugs are in it, and then it will be applied Nation-wide, using the Department of Agriculture facilities to help put it across.

Senator BREWSTER. Would that be voluntary or a matter of order?

Mr. EASTMAN. It is voluntary so far, I think.

The only other thing that I have to talk about is the matter of local transportation. Having become accustomed to work on the Interstate Commerce Commission, when I got this new job it didn't occur to me for the moment that I might have any responsibility with respect to local intrastate movements for short distances, and so on. I soon became aware, from the correspondence that came in, that that was one of the greatest transportation problems that the country had to face.

The CHAIRMAN. I think that is the key problem.

Mr. EASTMAN. I created the Division of Local Transport for that purpose, and was fortunate enough to get Mr. Guy Richardson, who has been running the Chicago street railways, to head that for me.

The major problem in that connection is of course the transportation of war workers—it used to be called defense workers, but I think war workers is better now—to and from the war-production plants. Many of those plants, which are often immense, have been constructed out in the open spaces and depend not on the common carrier or bus lines, but on the private automobiles as the means of transportation. In some cases that has been necessary where explosives are involved, and so on, to get them out in the open in that way. In other cases, it may or may not have been necessary. At any rate, it has been done.

The most important thing, in our opinion, in connection with that matter is the conservation of the private automobiles which are used



by those workers. Various means have been worked out for the swapping of rides by the workers, so that Mr. Jones, for example, will use his automobile for a week and carry his friends along with him and back in, and next week Smith takes his automobile, and so they spread it out. Of course, five automobiles so used in rotation will last five times as long as though they are used every day.

The CHAIRMAN. That is true if mama doesn't take it joyriding while he is gone to work.

Mr. EASTMAN. Yes. I believe they are trying to get at that, too. That is one of the weaknesses of the plan.

The plan which we have rather concentrated upon was called the Pontiac plan at the start, and it is now known as the Michigan plan. We are endeavoring to promote that with the aid of the Governors and the mayors and a very large and effective body—what is the name of that, Richardson?

Mr. RICHARDSON.<sup>1</sup> National Highway Traffic Advisory Committee to the War Department.

Mr. EASTMAN. That is presided over by Mr. Thomas McDonald over at the public records agency, and it is a very effective institution, able to bring to its aid all of these highway patrolmen, and so on.

In addition to conserving the use of the private automobiles that are already there, there is a question of whether you can augment the service. There are only two ways that I can see of augmenting. One is by bus, and the other is by railroad.

Senator BURTON. Mr. Eastman, before stepping to the augmentation, I wanted to call your attention to a suggestion made to us in Detroit by Mr. Sorensen, of the Ford Co., in connection with their big bomber plant. He urged upon us the fact that, with his 100,000 or more employees, his company does have a retreading and a tire-making facility, and if they could get the permission, what they would like to do would be to have the direct responsibility of dealing with that transportation policy at that big plant. They would then be in a position to inspect all private cars, and when they get ready for a retreading, if the tire was smooth, they would compel the retreading. They would compel the man to bring 4 men with him in the car or he couldn't get in at the gate. They could regulate that with a small amount of rubber and their own equipment. They felt that they could meet that emergency if they could have permission to do it.

Mr. EASTMAN. I think I am correct in saying—Mr. Richardson will correct me if I am not—that we feel that very often the company operating the plant can control this transportation better than anyone else. Is that right?

Mr. RICHARDSON. That is right.

Senator BURTON. That was precisely his recommendation in that instance.

Mr. EASTMAN. As far as augmenting this private automobile service by bus is concerned, we have these mass transportation companies in service in the cities, and the use of their equipment has been affected in the past very seriously by the morning and evening peaks, the rush-hour peaks. If those peaks can be leveled off, that would greatly enlarge the opportunity of those vehicles and the men that operate them

<sup>1</sup> Guy A. Richardson, Director, Division of Local Transport, Office of Defense Transportation.

to do transportation work. So we are doing what we can to promote throughout the country the adoption of staggered hours, such as has been adopted right here in Washington.

The other day New York and Los Angeles both went on staggered hour bases, and that plan is being adopted very rapidly throughout the country. That will make those vehicles go much farther.

Then, again, we issued an order prohibiting any further substitution of busses for street rails. We have made the companies keep their old streetcars in operation. We made the Third Avenue road in New York let loose 300 busses which they just had ready to substitute for cars, which were immediately taken over by the Navy Department, incidentally. But that has been done in several places throughout the country, and not only that, but where the rails are still in use sometimes they have used busses part of the day and rails the rest of the day. We are endeavoring to get them to abandon the use of busses and keep the rail service going all the time in order to augment this supply of busses.

Very often the operation of the busses, particularly if staggered hours can be introduced, can be helped by improvement in the traffic regulations so that they can operate faster and more readily.

There is a supply of sightseeing busses which we think can be made available, first, by the Government taking them, and then their distribution to the points where they can be used for defense-plant purposes.

It is possible that some of the intercity busses can be released for that purpose when the intercity bus systems eliminate all the waste from their operations which is possible.

Senator BURTON. On that point, do you suppose it is possible to give consideration to the pick-ups within a metropolitan area by an intercity bus?

Mr. EASTMAN. Yes.

Senator BURTON. It usually has been prohibited because of the competition with the local traction company.

Mr. EASTMAN. That is right.

Senator BURTON. If that were expanded, it would involve a considerable use of capacity.

Mr. EASTMAN. These intercity busses, in addition to their long-haul work, often do a great deal of local work.

Senator BURTON. They could do more if they were permitted to.

Mr. EASTMAN. Yes; they could do more if they were permitted.

Then, some of these trucks which used to convey three or four trucks on the highway—you have seen them—are no longer being used because automobiles are not being constructed. Various experiments are under way in remodeling them for the carriage of passengers. One or two of those experiments looked pretty good.

We ourselves are endeavoring to promote the design of new types of trailers and bus bodies which can be made available at low cost and without drain on critical materials, except rubber. We had one that you may have seen around the streets the other day, a very ugly affair, but it will haul a lot of people. It will haul pretty nearly a whole company of soldiers. That bus is capable of improvement, but it is very cheap. With a tractor, it can be turned out for \$3,500. Is that right?

Mr. RICHARDSON. That is right.

Mr. EASTMAN. And it has stimulated other manufacturers in getting to work on the same thing. General Motors will have one coach of its own of that kind down here this week, I believe.

We believe that there are opportunities for turning those things out cheaply, privately, and without drain on critical war materials, using them in places to which they are adapted.

Senator BREWSTER. Do you have any contact with the Housing Administration?

Mr. EASTMAN. Yes; Mr. Richardson has an advisory committee which meets every week, on which are representatives of the Army, the Navy, the Housing Administration, the O. P. A., and W. P. B.

Mr. RICHARDSON. And Maritime.

Mr. EASTMAN. And the Maritime Commission.

Senator BREWSTER. That means that future housing projects will not be placed at great distances from the plants they are designed to serve, I take it.

Mr. EASTMAN. They are trying to do that, and I believe they call the limit of walking distance 2 miles.

Mr. RICHARDSON. They have issued instructions within the last month right along that line.

Senator BREWSTER. So that policy is now going to be operated?

Mr. RICHARDSON. Yes. It has gone out to the regional men.

Senator BREWSTER. And a man is not a war worker for the use of a car if he is within 2 miles of the plant?

Mr. EASTMAN. I don't know whether they carry it that far, but I understand that they regard 2 miles as the limit of walking distance.

I might say on these new types, we are also considering bus bodies of the school bus type which could be placed on the chassis of a delivery wagon when the number of delivery wagons is contracted around the city. That would make available some of those chassis on which you could put this light, cheap bus body.

Some of the bus companies are coming up with a little trailer something like those which you see automobiles carrying around. They say that they could augment their hauling if they were allowed to haul some of those light trailers.

In addition to the augmentation by bus, there is possible augmentation by private automobiles. That is a very delicate situation, because certainly cars ought not to be commandeered and requisitioned without very careful investigation. There are so many uses of them which are essential, particularly out in the country districts. However, there is a possibility that there is quite a supply of station wagons which might be commandeered and used to augment the service to the defense plants.

The CHAIRMAN. Mr. Eastman, do you feel that you have all the authority necessary to carry out this job, particularly with regard to this local traffic, or is it diffused?

Mr. EASTMAN. Well, I think that the greater centralization of the responsibility with respect to the rationing of tires and the requisitioning of vehicles and the rationing of the vehicles themselves would be desirable. I understand that work is being done on that matter right now.

As far as the augmentation by railway train is concerned, from what I have told you about railroad passenger service and the demands on it, you can see that the means for establishing commutation service



and cars and locomotives to handle it are not great, and they will become less as time goes on. Furthermore, workers around these plants are frequently scattered over a wide area, and even if you did have railroad commutation trains, you would still have the problem of getting people to and from the railroad stations.

I might say that in this local transportation work, we have felt that it primarily was a local community problem, and that while Washington ought to help, the people in those communities ought not to lose their self-reliance, and they ought to do a great deal of the work themselves. Therefore, we have endeavored to stimulate and promote and encourage work by State commissions, by the local plants, and by the municipal authorities, and by the State patrol men in every way that we could, and to get as much work done by others as possible, instead of building up a huge organization and trying to settle this all by ourselves, because I just don't think we can do it. We have to have the help of the local people.

Senator BURTON. Did you get down to the bicycle?

Mr. EASTMAN. Bicycle? I don't think we have done much with that, have we, Mr. Richardson?

Mr. RICHARDSON. I think we sent 6,000 out to the Pacific coast 3 weeks ago, and also some scooters.

Mr. EASTMAN. That is all I have, Mr. Senator.

The CHAIRMAN. Any questions?

Senator BURTON. Mr. Chairman, I have just one question: In view of this most interesting and competent presentation of the question, I would just like to ask Mr. Eastman under these circumstances, do you feel that we will be able to meet the emergency of the transportation in this war without taking over the governmental operation of our transportation systems?

Mr. EASTMAN. I hope very much that that will be possible, and I see nothing ahead now which would lead me to believe that it would be necessary.

Senator BREWSTER. That presents a question I wanted to ask. You, out of your vast experience, I suppose would agree that traffic routing in times of peace has not been determined exclusively by economic factors.

Mr. EASTMAN. That is right.

Senator BREWSTER. And that in this emergency, it is obvious that we have got to disregard every other consideration for efficiency and economy.

Mr. EASTMAN. That is right.

Senator BREWSTER. Which does mean that railroad managements will need to exhibit a most cooperative attitude in foregoing some of the advantages they perhaps have built up over a period of years.

Mr. EASTMAN. Yes. It is very important that the railroad managements get away from the habit of intense competition that they have had for a long time. They have got to cooperate in this emergency and operate more and more as a single unit.

Senator BREWSTER. And you are the one who is in the position to persuade that cooperative attitude?

Mr. EASTMAN. Well, my order uses such words as "promote," "encourage," and "stimulate." I think that is my job.

Senator BREWSTER. When you eliminate so much, take our coast-wise traffic which concerns us so much, it does immediately present a



problem of through rates, which have not hitherto been of much consequence.

Mr. EASTMAN. That is correct. I didn't mention that part. There are two parts to my organization that I haven't mentioned. One is the Division of Rates. In that work, my duty under the order is to negotiate with the railroads new adjustments in rates. I can't order the railroads to do those things. I am confining my attention to the situation where some new traffic is thrown on the railroads which the rates that are in effect weren't published to carry, and where the movement is in volume such as never existed before, or maybe of a character which has never existed in any form before, and the rates don't fit it. We try in those cases to negotiate rates which do fit those new movements of traffic, and that applies to long-haul movements of coal to New England, including the State of Maine.

Senator BREWSTER. Very decidedly.

Mr. EASTMAN. Yes.

Senator BREWSTER. And you are trying to bring home to the railroad managements the importance of speed in that regard, for there is a very tragic situation there now, I am sure.

Mr. EASTMAN. The other part of my work which I didn't mention was the Division of Transport Personnel. We don't undertake to handle labor controversies, but we are going into the question of what can be done to get ready for the difficulties which may arise owing to a stringency in railroad labor, when they withdraw from war work or soldier work, and so on.

The CHAIRMAN. Any other questions? Thank you, Mr. Eastman. We appreciate that very much.

The committee will recess until the call of the chairman.

(Whereupon, at 1:35 p. m., the committee adjourned subject to the call of the chairman.)



# INVESTIGATION OF NATIONAL DEFENSE PROGRAM

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THURSDAY, JUNE 25, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE INVESTIGATING  
THE NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:37 a. m., pursuant to the call of the chairman, on Thursday, June 25, 1942, in room 318. Senate Office Building, Senator Harry S. Truman, Missouri (chairman) presiding.

Present: Senator Harry S. Truman, Missouri (chairman); Senators James M. Mead, New York; Ralph O. Brewster, Maine; Harold H. Burton, Ohio; Joseph H. Ball, Minnesota; Harley M. Kilgore, West Virginia.

Also present: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order.

Mr. Nelson, you had a report that you wanted to make to the committee. You may make it in any manner that you are inclined to make it.

Mr. NELSON. Well, I have given you a mimeographed copy of it so I think it would be a waste of your time to read it.

## TESTIMONY OF DONALD M. NELSON, CHAIRMAN, WAR PRODUCTION BOARD

### PROBLEMS OF PROCUREMENT AND PURCHASE—W. P. B.

The CHAIRMAN. Well, I had the privilege of reading it last night before I went to bed, and it impressed me as an excellent report. I was somewhat uncertain about the procurement phase of the report with respect to whether you are yourself going to maintain in your hands the power of procurement or whether you are going to farm that out to the Army and the Navy. I am anxious to see that the Procurement and Purchase Section of the War Production Board be in civilian hands, and I am anxious that they stay in your hands and under your direction. Now, I wish that you would give us some enlightenment on that.

Mr. NELSON. I should be glad to do that, sir. Of course, as I have explained to you before in appearing before you and in looking at my job, I have been given complete authority by the President over procurement, which includes purchasing and production.

The CHAIRMAN. I am anxious for you to keep that power.

Mr. NELSON. And I intend to, sir, as long as I am privileged to stay on the job.

Now, there are two ways that you can approach it. One, you can set up your own organization to do it; or secondly, you can put it into the Army and the Navy and get people to do it there who would do it in just the same way as we would. In other words, improve the technique of the services through the introduction of civilians who know the technique and who will carry it on there with authority just as if it were in our own shop.

Now, having the authority, I have delegated to the Army and Navy the job of procurement, and have given them men who are experienced—the most experienced men I had in the job—to go over there and work with the services in improving the whole job of procurement, which is production and purchasing. In my opinion that was the wisest choice I made when I came on this job. The services have a great many highly skilled technicians and are very close to the problem.

The CHAIRMAN. But the services have a sort of perfectionist idea of the matériel that is not practical in wartime. You have got to have a practical man who can get things done. I think you are that sort of a man. You have got to have a practical viewpoint on this thing, and we have got to get this matériel and get it in operation rather than arrive at detail perfection of that matériel, to get just exactly what is ideally essential, and I am very much afraid that this perfectionist idea of the services will to some extent delay the procurement.

Mr. NELSON. May I explain to you just exactly what has happened? They have had a number of skilled technicians. What they have needed and wanted—put it that way, because there has been at no time any question of doubt in the minds of the Army or Navy as to the value of the very thing you are talking about—is the addition of skilled technique in both purchasing and procurement. Now, as I was explaining to you, we can do it in two ways. One was to put it all in one place—the W. P. B.—and take it completely out of the Army, which I figured would be a mistake because it would slow up things. The other was the introduction of men who knew those techniques and skills right into the Army where they would be given the authority to exercise them.

Senator BREWSTER. That I want you to emphasize. They are to have the authority.

Mr. NELSON. That is right, sir.

Senator BREWSTER. They are not to be subordinate to military personnel.

The CHAIRMAN. In other words, we want to have this thing in the hands of civilians, not in the hands of the "brass hats." We want you to have control of that.

Mr. NELSON. May I explain to you how I expect to maintain control? Don't forget that I am the one who takes the responsibility, no matter where it is done.

The CHAIRMAN. You are going to be the goat.

Mr. NELSON. I am. I said that before this committee. I have been the goat, and I intend to be the goat.

Having that responsibility, it is my problem to see that it is done to the best interest of winning this war.

Senator BURTON. Mr. Nelson, do these men retain their civilian status or do they act as civilian officers; can you say?



Mr. NELSON. Some do. It depends a great deal on the position of responsibility they are put into, sir; but, again, I want to try to explain it to you.

The CHAIRMAN. We will try not to interrupt you, sir.

Mr. NELSON. I think that when I get through with this statement, I will have answered any questions in your minds.

Now, in the Navy for the first time, a service and supply organization was created, and all the Navy purchases were coordinated in that one division headed by Admiral Robinson, an officer for whom I have, I must say, the greatest admiration, both from the standpoint of a naval officer, and as a man who is progressive enough to do a thing in the best possible way for it to be done, and a man of great influence in the Navy because of his long record of accomplishment. Now, right next to him as his principal assistant, I put Mr. Frank Folsom. I say I put—I asked him to take Mr. Frank Folsom; they took him, and apparently, they are very happy with Mr. Frank Folsom; and he, as Admiral Robinson's assistant, is in a position to guide, direct, and control all of the procurement policies of the Navy, and does so.

In the Army, if you recall, Mr. Douglas MacKeachie, who was my other assistant of purchase—

The CHAIRMAN (interposing). A good man.

Mr. NELSON. I think Douglas MacKeachie is one of the best I know. Now, he went in directly under General Somervell to direct and guide the policies of purchasing and procurement; and next to him was Mr. Browning, who was also in my division. Now, it came about that a very important job abroad had to be done for the A. E. F. and Mr. MacKeachie went abroad, but the effects of what he has done are there. During the time he was here, in my opinion he did a much better job than he had been able to do while in the W. P. B. organization. He himself, when he was leaving came in and said that without any question, the wisdom of the policy had been proved by what he had been able to do in the Army.

Now, Mr. Harrison, who is in our Production Division, is going into the Army under General Somervell and he and Mr. Browning, who is now Colonel Browning—he accepted a colonelcy—are going to work on production and procurement. Now, how do we get at the point where we see everything that is going on and know the policies and the very things that you are talking about? A Purchase Policy Committee has been appointed. Mr. Folsom will be the chairman of that Purchase Policy Committee, and it will include men from the Army and the Navy and a man from W. P. B. who also knows the best procurement policies; and they will set forth the purchase policies for the Army and the Navy, and there will be absolutely no trouble from the standpoint of the services, and I can assure you, sir, that having any responsibility, I feel very easy in accepting the responsibility for doing the very things that you are talking about under procurement.

The CHAIRMAN. What I want to do is be sure that the responsibility stays in your hands, for I have confidence in you, and I think you can successfully do the job. Don't let it get away from you.

Mr. NELSON. Sir, whenever that responsibility is not in my hands, I can't accept it, and therefore cannot do the job.

SENATOR BREWSTER. Now, Mr. Folsom and Mr. Harrison, under Admiral Robinson and General Somervell are subject to them in the first instance.

MR. NELSON. That is right.

SENATOR BREWSTER. But they at all times have an appeal to you if they feel that there is a difficulty developing, and you have power over both Admiral Robinson and General Somervell.

MR. NELSON. That is right.

SENATOR BREWSTER. That is the way the thing actually works its way out.

MR. NELSON. The supply services of the Army and the Navy report to me.

SENATOR BREWSTER. Out of the experience of the last war and the studies since, which culminated in your appointment, the emphasis was that civilian responsibility was essential in an emergency because the bureaus with permanent staffs hesitate to take the responsibility of short cuts; their future is involved if they make mistakes or if they are subject to criticism, but a civilian who isn't expecting to continue in the Government service after the war isn't worried about those things.

MR. NELSON. That is right, sir.

SENATOR BREWSTER. You are seeking to preserve that, I gather, by these?

MR. NELSON. That is right. Now, may I take it a step further. Let's take it right into the Ordnance of the Army which has had a large procurement job to do. General Campbell is the officer in charge, and I would like to pay tribute to him. I think he is one of the very fine officers of the country.

THE CHAIRMAN. One of the ablest men in the Army.

MR. NELSON. I think so. I pay high tribute to General Campbell. Now, we have helped him get for his organization some of the very best civilians in the United States from the standpoint of production and purchasing experts. For instance, right next to General Campbell, as his right-hand man, is Mr. Edgar Shay from Detroit, whom I regard as one of the outstanding men in the country from a purchasing standpoint, and he has a whole corps—dozens of men that we have gotten for him. General Campbell works very closely with us. There is no question here of whether you have to use authority or not. There is a keen desire to do the very thing you are talking about on the part of General Campbell himself; on the part of General Somervell himself—and I am choosing my words well—a keen desire to do the very thing you are talking about. There have been introduced under General Campbell literally dozens of the best production men we could get from the country, who have come here as civilians and who work out these problems with them, with the result that you get, you see, at the top the proper purchasing policies and throughout the services, the type of men who know how to take short cuts, and are keenly interested in winning the war and not in making a record. They all want to go back to their jobs some day, and they recognize the fact that the technicians of the Army and Navy know a great deal about it. If at any time a question comes up as to whether the production job is, let us say, too technical to be good in production, there is never any question about changing specifications.

Now, may I go a step further in the safeguarding of that very thing. We have in the W. P. B. a division that is constantly reviewing specifications of all kinds for all types of things; and they work directly through committees of the Army and the Navy, the Maritime Commission, and the Procurement Division of the Treasury which does the purchasing under lend-lease, and these committees constantly study specifications from the standpoint of tolerances and what not in order that the job may be well done. Now, we go a step further in our organization—I am merely trying to outline the steps which further justify my confidence in accepting the responsibility. We have regional offices and in those regional offices we have some of the best engineers we can get, production technicians who work right out in the field—actually with the ordnance officers, with the Signal Corps officers, with any anyone else, directly with the manufacturers in doing this job, and in case production difficulties come along through specifications, they report right directly back to us, but attempt to work it out in the field with the officers involved, and regardless of any difficulty; because there is imbued through the Army and the Navy, too, I can confidently say to you, the same spirit of progressiveness in dealing with this picture that you would like to have, and I think if you were as close to it as I am and could see it closely, see it not alone in the spirit of the officers in the different services, but in their actions, you would feel as well about it as I do.

Senator BREWSTER. I didn't mean my questions to imply any doubt of their devotion, but simply in the experience of generations in placing the final responsibility in civilian hands because their careers are not so intimately involved.

Mr. NELSON. That is right, sir.

Senator BREWSTER. To relieve them of some responsibility that their whole future might be blighted if they happen to make a mistake.

Mr. NELSON. Now, why did I do it this way rather than the other way in trying to think the thing through? The thing that I dislike most is divided responsibility; and were I to set up a group in my own shop to work with the group in the Army, there would always be the question of divided responsibility. This way it is absolutely direct—direct down the line, and it is as direct in our ability to do it—rather, the ability to get the job done is limited by our own ability and not by anything else.

Senator BREWSTER. What is going to be the difference in the numbers of the organization as a result of this, Mr. Nelson?

Mr. NELSON. Well, the numbers, unfortunately, are not going to be reduced, because our problem changes to such an extent. Now, the number of people doing the purchase and production job has decreased, of course, very materially because many of them—the best of them—are going and have gone right over to the services; but the problem today is completely changed.

Our ability to produce today is only limited by our supply of raw and fabricated material—only by that. There is no other limiting factor, in my opinion, to American production. We have some interesting things which have happened in connection with production as these industries get to devoting their entire time and attention to producing material for war, and get the same skill that enabled them to be masters of the industry—the automobile industry—all over the world, and the electric refrigerator industry all over the world, and



most of these mechanical industries where engineering and mass production were predominantly the factors in the distribution. When they devote that same energy, same skill to the production of war material, it would do your hearts good to see what happens; the short cuts in production, the new methods of doing it. The reduction in man-hours that has occurred in many of these important items is, I would say, amazing. I could tell you of instances—I wouldn't like to do it now—I would be very glad sometime to sit down with the committee and show you some of these, and I think you would be very happy to see what is happening—such as the Hispano Suiza gun—

The CHAIRMAN (interposing). Mr. Nelson, we would be very happy to have you do that with us in a closed session. We are familiar with some of those things, and they are remarkable.

Mr. NELSON. I think that you would be tremendously pleased to see what has happened, and see what has been done in airplanes to some extent. It has been done in guns, ships. I think the experience of industry with ships is one of the epics of American ingenuity and skill.

The CHAIRMAN. We think so, too.

Mr. NELSON. If you compare what has happened in the building of ships in this war with the last war or compare our techniques of building ships and our ability to strike out in entirely new methods and eliminate past production methods and get a ship, as has happened, built this last month in 46 days against an estimated average of 105 days—and that 46 is nowhere near the limit—it is amazing. It will go down and down from that 46 days so that our ability to make ships today is only limited by our amount of steel plate that we can devote to shipbuilding.

Senator BREWSTER. I was informed by the Maritime Commission this morning that last month they established a world's record for the actual delivery of steel cargo-ship tonnage.

Mr. NELSON. Well, it is far above anything that has ever been done before.

Senator BREWSTER. That was very impressive.

Mr. NELSON. It is really a cosmic record.

Senator BREWSTER. Now, will you speak of steel?

The CHAIRMAN. I hope you will discuss the steel situation.

Mr. NELSON. I will be very glad to.

Senator KILGORE. You include the Army and Navy on this. The Maritime Commission is on war stuff too. Is there a key in there that procures a balance throughout that triangle?

Mr. NELSON. Yes, sir. We have, you see, in our own organization—I will explain this so that you will get clearly the picture of the organization I have in mind. Where an item is used and made and bought by more than one service, let us say ships—ships are bought by the Army, by the Navy, ships are bought by the Maritime Commission—we have a shipbuilding division and do not plan to eliminate that, because we have to coordinate this thing for all three. We have an aircraft division, we will have a division on turbines and compressors because they are used by all; machine tools. Now, while the Army will buy machine tools, it will be a division of machine tools in W. P. B. which coordinates that just as there is in shipbuilding in W. P. B., and we work directly with the Maritime Commission—with



Admiral Vickery—on all of the problems of shipbuilding; purchases, procurement, methods, organization—any phase of the work.

Senator KILGORE. One other question on that. Under the ancient and time-honored system, all appropriations were made to the heads of the bureaus, for instance the Bureau of Ships in the Navy; and as I understand it, the present appropriation is still unexpended, and those unexpended are still with the heads of the bureaus. With the creation of S O S in the Army and the same thing in the Navy, the appropriation is still going to the heads of the bureau and they haven't expended the money. Now, what method has been devised to correlate the money spending so that the head of one bureau has more money than he can spend, which can probably be used to make up the deficiency in some other bureau? Is anything being done about it?

Mr. NELSON. I confess—

Senator KILGORE (interposing). This man over here had a million dollars that he couldn't get out on contracts because he couldn't find the people to make it and the raw material, and we were in vital need of some additional contracts on some other phases in the Navy. Could that be used within the S O S of the Navy without—

The CHAIRMAN (interposing). I would say, Senator, that I don't think Mr. Nelson has any control of that.

Senator KILGORE. You have no control over that set-up?

Mr. NELSON. No, sir.

Senator KILGORE. Don't you think it would be better to appropriate the money direct rather than to the Bureau of Ships?

Mr. NELSON. I haven't studied that.

Senator KILGORE. In other words, wouldn't it be a more liquid appropriation?

Mr. NELSON. It would certainly be more liquid.

Senator BREWSTER. You didn't finish the steel matter, or at least, I didn't understand it clearly. We are today authorizing a very great increase in the naval program of ships—about a thousand more ships.

Senator BURTON. Senator, before you get into steel, could I follow up with one more question what Senator Kilgore started? I am likewise interested in the Maritime Commission. I didn't get your answer to what I thought Senator Kilgore asked for. Do you have with the Maritime Commission someone who corresponds to Robinson in the Navy and an assistant, and Somervell in the Army and an assistant? Do you have that same procurement system there?

Mr. NELSON. No; I said we have a shipbuilding division of W. P. B. that worked directly with them. They have a man who corresponds to Admiral Robinson.

Senator BURTON. But you haven't found it necessary to implement him with an assistant?

Mr. NELSON. No, sir; because their problem is different. They have very few things to purchase and the things that they purchase in the main are common to all of the others. Under the plan, wherever anything becomes important, one of their men will be on this purchase policy committee. In other words, what we plan to do and are doing with Mr. Folsom as chairman is the organization of the committee to coordinate the purchases of everything. Let us suppose that it were turbines. As a matter of fact, turbines are handled directly through our office because they are used by the Army, the Navy, and the Mari-

time Commission, by power companies and other plants, so that turbines will be handled entirely through W. P. B.

Senator BURTON. The Maritime Commission, as I understand it, is not in the Army and not in the Navy?

Mr. NELSON. That is right, sir.

Senator BURTON. And that is why I wanted to see clearly where it is in this set-up. On this purchase policy committee, you have a member of the Navy—

Mr. NELSON (interposing). And the Maritime Commission, and they come in on everything they are interested in.

Senator KILGORE. But do they have a member on that committee?

Mr. NELSON. They will have a member on that committee on everything that happens to be common.

Senator BURTON. Do you know who the man is who corresponds to General Somervell or Admiral Robinson?

Mr. NELSON. Well, we work with Admiral Vickery.

Senator BURTON. What you do, as I see it, is to take full advantage of the chain of strict responsibility that the Army, the Navy, and the Maritime Commission have?

Mr. NELSON. That is right, sir.

Senator BURTON. You don't upset that rather clearly defined chain of responsibility; they work out what they have or must have in the Army and Navy and you just implement that with an assistant here and there?

Mr. NELSON. And with skilled men.

Senator BREWSTER. About this steel, this great Navy program, we asked Admiral Vickery about it—how it would affect him. He said, as I recall—I don't think the figures were confidential—he was supposed to have 46 percent of the steel and getting about 35, and he didn't know what was going to happen to him with this great naval program. Admiral Horne said he hadn't taken it up. Now, just how would you handle a thing like that, sir?

Mr. NELSON. This is the way we will handle it; one of the first meetings was held this morning but I couldn't attend because of my appearance here, and they will continue in that direction. Steel plate is, of course, allocated. It is under strict allocation. It is being allocated each month. So much is allocated directly to the Army and Navy and Maritime Commission.

Senator BREWSTER. Does that go to the individual mill?

Mr. NELSON. We don't allocate it to the individual mill. We give them the individual mills from which they can expect shipments. They then, in turn, allocate it from the individual yards to the individual mill. The way it is done, sir, at the present time, we have a Requirements Committee with W. P. B., and there appear before that Requirements Committee, which is headed by Mr. William Batt, all of the claimants for the material. In steel plate you have a wide variety of claimants. I will just mention a few. Of course, some goes to Great Britain for their production program; some to Canada because they are building ships; Great Britain is building ships; some goes to some of the other countries that need small amounts; no large amounts go to the other countries except England and Canada.

We have the Maritime Commission, of course, which is a very important user—can't build ships without plate; the Navy, because you can't build ships without it; and the Army. Now, the Army uses the

steel plate for a wide variety of things: Tanks, bombs, gun emplacements, gun mounts, armored cars, trucks, and a wide variety of things. In other words, the list of things in which steel plate is used is extensive. Now, it is used in essential civilian services, in direct military repairs on locomotives, freight cars, agricultural implements, 100-octane gasoline plants, synthetic rubber plants, chemical plants of all kinds, boilers—they are very essential, of course, to keep the thing going. Those are all claimants for steel plate. The Requirements Committee makes first a rough allocation, and says, "So much should go to the Maritime Commission, so much to the Army, Navy, and so much to the essential civilian users; so much to Great Britain, so much to Canada and Russia, if needed." The allocations are then made by the services according to urgency or priority ratings. I felt there was a gap in that. If we have, for instance, 1,400,000 tons of plate demanded, and we have only 1,100,000 to distribute there is a deficiency of 300,000 tons of steel plate we can't provide, and I felt that each bit of plate because of its importance ought to be directly linked to strategy, and we have been getting up the figures. I have gotten them all up. I have talked to Allied Chiefs of Staff, and want to work out that allocation of steel plate in direct consonance with the Chiefs of Staff to have them tell us which they think is more important in this program—maritime ships, naval ships, escort vessels, and so forth.

Senator BREWSTER. Would you expect the Maritime Commission and the Navy to agree on the relative importance? That is always a problem.

Mr. NELSON. Wait a minute, sir. It is not the Maritime Commission and the Navy who agree on the relative importance. It is the strategy of the war that is important.

Senator BREWSTER. How do you do that and whom do you consult on that?

Mr. NELSON. General Marshall, Admiral King—at that level. That is the very top level in the strategy of the war. Now, our steel plate, and that is true of copper and these other things that get very scarce, should be directly at the top in tune with the strategy of the war. They are the ones who know how many merchant vessels they will need to transport the men and material to the various fronts that are to be established. They are the ones who ought to know how many escort vessels there ought to be to protect those ships; they are the ones who ought to know how many tanks it is going to take to attack the enemy, and how many guns they will need.

Senator BREWSTER. Suppose Admiral King and General Marshall don't agree—and Admiral Vickery?

Mr. NELSON. Then, sir, that would be a decision that I ought to consider would be made by myself in consultation with the President or even by him. Now, that is a high level.

Senator BREWSTER. I realize that it probably would never arise. It might.

Mr. NELSON. It might, but that would be the way it would go. I would take the problem that arose, because of its extreme importance, directly to the President, and a decision would be arrived at. It would not hang around in midair.

May I just finish this, Senator Brewster?



The thing I wanted to make clear is that we must make that allocation on material as nearly in tune with the strategy, present and future, as we possibly can.

Now, we have the combined Production and Resources Board which has recently been established. Captain Lyttleton, who heads that, and myself make up the Board, and we determine how much of it should go to Great Britain and how much of it should go here and there in terms of the production which should be made in either place, and today we look upon their production as our production and our production as theirs. The two are merged. We have the same kind of committee with Canada, so that if we have the ability to use all of this machinery, and that is the only limiting factor in my opinion—the machinery is all here—and as General Marshall said when the Board was finally established and we had the first meeting, “That is the last link in linking up directly the last machinery we need to get quick and decisive action linking production and strategy.”

THE CHAIRMAN. I just wanted to ask you a question on your idea of policy. In the appropriation of money, if steel plate and steel production and the production of necessary materials is a possible bottleneck to production and procurement, why is it necessary to run the tremendous appropriations which we are making—and they stagger us when we look at them—and when we have reached a conclusion of what is finally proposed, we will have appropriated \$200,000,000,000 for appropriations? Why should Congress let this sum of money pile up behind the production program as a backlog if the material is not available to buy that which can be used? Is that good sense with the Congress when we are in session all day long every year and the whole year through without any hesitation. Why should we pile this money up, and I have got concrete proof that there is a tremendous backlog of unobligated and unexpended balance which cannot be made on account of the physical impossibility of getting the material. Now, I would like your judgment on that.

MR. NELSON. Well, I have never quite understood it, but I have never studied it. After all, our ability to produce is just so much.

THE CHAIRMAN. That is true, and your over-all ability to collect taxes is just so much.

MR. NELSON. That is right. Now, I have never worried about it. It can't be used, and if it isn't used it can't be spent, and if it isn't spent it is still in the Treasury, and I haven't worried about that phase.

THE CHAIRMAN. That is surely true, but it seems to me that the Congress is itself responsible for the raising and appropriation of money, and when we delegate what virtually amounts to an appropriation, we pile up a big backlog behind these services which they ostensibly cannot use. Those figures are before me which so show that they haven't used them to date.

MR. NELSON. Well, I haven't worried about that. I have plenty of my own worries.

SENATOR BREWSTER. Is it necessary for you to plan 1 or 2 years in advance?

MR. NELSON. Yes, sir; we must plan now into 1944.

SENATOR BREWSTER. So that you have really a 2-year-and-a-half program ahead of you now?

MR. NELSON. That is right.



Senator BREWSTER. Which will probably use this \$200,000,000,000.

Mr. NELSON. We will probably use very close to it with all the reserves and subsistences.

The CHAIRMAN. I am perfectly willing that the Congress should furnish all the money and levy all the taxes to win the war as quickly as possible, but I believe there should be some sort of a rein on this situation to say it shouldn't be thrown away, because we are going to have to pay for all the necessary things without paying for unnecessary things.

Senator BREWSTER. You said before that we've a lack of raw materials. Is the steel capacity sufficient to meet what you anticipate is your problem.

Mr. NELSON. I still, sir, don't have the answer to that question, and I will tell you why. If we figure the steel required to make the things which we have been given by the Army and the Navy as the things they want, plus the other requirements for steel—the very essential, minimum civilian requirements, and, of course, that is an area where it is very hard to estimate—if you do that, you have enough ingot capacity to take care of this program.

Senator BREWSTER. You have not?

Mr. NELSON. We have.

Senator BREWSTER. You have.

Mr. NELSON. Yes, sir. And we have cut it back some because we wanted to save the steel to go into the program for 1944, so we have cut the projected steel expansion back for that reason. However, as you look at the picture today, you haven't anywhere near enough steel. Now, that is happening as a result of two things. In the first place, you are on a rapidly ascending curve of production—parabola—that just goes up that way. You are filling up all the pipe lines for that peak production, actually, the "lead" as we call it of materials. In other words, the material which must be in the supply system, the manufacturing system, is very great. I have the feeling that after we get by this curve, this hump, and get into just supplying the steel for manufacturing and not supplying the excess inventories which must be in places along the line to back it up so that you have the production flowing smoothly, at that time we will be able to take care of the situation.

Senator BREWSTER. How long is it going to take you to catch up, do you think?

Mr. NELSON. Oh, I think another 3 months.

There is another problem that is a very difficult one but we are attacking it as vigorously as we can, and have all the information, whether we can use it or not. We haven't developed it yet. We have got to prevent excess inventories from piling up in the system. In other words, having one shipyard have more steel plate than it can use in the next 2 months or 45 days—whatever the amount of time is necessary for backlog—and another company which is producing rapidly, having none. Maldistribution, of course, brings an unnecessary shortage. We have gone into it and we have evidence of it in every phase, of a lot of maldistribution in every material too much built up in this pile, too little in that pile.

We have another problem which is exceedingly important, and that is the whole program getting out of balance. If, for example, you pile up many more shell cases than you have the capacity to fill and

get a great big backlog, you have copper that is unnecessarily backed up at that point, which might be better used. Therefore, you must get this program better in balance. That is all part of the problem of the flow of material.

Senator BREWSTER. I had a complaint that steel plate was being rolled this month that wouldn't be used for a year, that was going to a certain plant, although they weren't going to use it for a year. Now, anything of that sort you are trying to get under control?

Mr. NELSON. We are trying to, sir; and what we are doing is scheduling that in our production division. A great deal of that occurred and some of it is still occurring.

The CHAIRMAN. Isn't this steel situation somewhat slow due to their failure to realize that we are in a war and carrying on business-as-usual rather than getting ready for a war. It is true to some extent, isn't it?

Mr. NELSON. Mr. Senator, there is undoubtedly some of that, but let me ask you to reflect. Our hindsight is always good. Two years ago who would have predicted that we were planning to make 125,000 airplanes in 1 year? Show me anybody who had the imagination to even think of it—even the wildest expansionist—and I was one of them.

The CHAIRMAN. So were we. We know you were one of the expansionists, but we were, I think, not entirely talking from hindsight, we were talking long before they ever got over this business-as-usual.

Mr. NELSON. I think in the main it is due to the size of this thing that we have undertaken. May we reflect just a moment on that size. We are so different today from what we were in the last war; in the last war we could depend upon England for our deficiencies in production, and France and Italy. Today we are the ones who are depended upon to make up the deficiencies. Everybody, with the exception of the Axis Powers, looks to us to supply material.

The CHAIRMAN. And the Axis sometimes uses us for supply, don't they, when they take certain towns in which we have large quantities of materials?

Mr. NELSON. Well, that is the fortune of war. I presume, but what I am saying is the very size. In addition to that, we have the responsibility for keeping some of these other economies alive. We can't afford to let the economy in South America die, bog down, because we must get raw materials from them. Therefore, we have to help supply their railroads, their electric power companies, their whole economy has to be supplied; and today, the thing that we are trying to do is keep in touch with practically the economy of every nation in the world except the Axis Powers. I am in intimate relation with it because we are supplying many of the raw materials and finished products. Now, if anybody could have predicted that, I don't know who it would be.

The CHAIRMAN. You are right about that. I am not quarreling on that. We were quarreling about this situation in 1941.

Mr. NELSON. And you were right, and I agreed with you that you were right at that time, and I think you showed greater foresight at that time.

Senator BREWSTER. Have you established a transportation section recently?

Mr. NELSON. Yes, sir; following my last appearance before this committee, you pointed out to me that thing,<sup>1</sup> and we have a committee now actively at work, and they are doing some very good work in coordinating the problems of Mr. Eastman who has the direct authority, with our own priorities, and they are doing some very interesting work in that direction.

Senator BREWSTER. The study of the subcommittee in the ship situation, particularly barges and ship transportation, indicates that there is still a seeming lack of coordination.

Mr. NELSON. I think we haven't yet got into our stride.

Senator KILGORE. This question apparently arose on that. There is apparently nobody who has authority now to requisition or commandeer necessary river transportation such as barges or towboats or to convert, for instance, dry merchandise barges into petroleum barges. Now, we have been searching and we can't find it so far from our inquiries into the various bureaus. They all claim apparently nobody has the authority to step in there and straighten out that situation, and one thing we have been interested in is whether or not legislation is needed or whether or not you, as head of the War Production Board, have that power to go in and if necessary commandeer three or four or five hundred merchandise barges and convert them to petroleum barges?

Mr. NELSON. Well, if it is essential to the conduct of the war, I would assume the authority and nobody would take it away from me. We have got a committee studying that whole phase of that thing, a technical committee headed by Wayne Johnson, and he is working on that whole barge question, and whenever anybody comes to me, for instance, the steel companies or the coal companies, why we would be very glad to change wood for steel.

Senator KILGORE. That is what we are trying to work out. The committee on the transportation section says they have no authority, the petroleum people say they have no authority, and they all question whether anybody has the authority.

Senator BREWSTER. We admit that we haven't laid this on your doorstep.

Mr. NELSON. Well, I never hesitate to assume it if it is necessary.

Senator KILGORE. Does Mr. Eastman have a river transportation section?

Mr. NELSON. Yes, sir, he has a river transportation section.

Now, I have found that the way to break those bottlenecks and log jams is to get a good aggressive man in and tell him to go in and solve the problem, and he will always solve it. This technical committee has been appointed with representatives of Mr. Eastman, representatives of the Petroleum Coordinator, Mr. Henderson's office, Jesse Jones, Bureau of Economic Warfare, and they are actively studying everything that needs to be done, and if there is any lack of authority, why we would run right up to Congress in a minute if it is pointed out that the thing is necessary and we haven't got the legal authority, but that would only come after we had tried to use the powers of persuasion with the people. We will have no trouble with the coal people. In fact, Mr. Francis has been talking to me about the problem and putting it directly up to the technical

<sup>1</sup> Supra, pp. 5097-5099.



committee. We can't build steel barges because we can't spare the steel, but we can build wooden barges. We will change the wooden barges for steel barges if it is the practical thing to do.

Senator KILGORE. But you would have the authority then to convert—make a conversion?

Mr. NELSON. Yes, sir; that is right.

Senator KILGORE. You would have the authority to convert the necessary bulkheads in those barges.

You see, with the coming of this 24-inch pipe line—

Mr. NELSON (interposing). To Salem.

Senator KILGORE. To Salem, there still remains the hauls from Salem to the east coast.

Mr. NELSON. That is right, sir.

Senator KILGORE. Which largely now has to be made by rail. Now, river barges could supplement that tremendously.

Mr. NELSON. Well, sir, that committee is studying it, and I assure you that I have no lack of authority in the picture.

Senator KILGORE. Well, may I say for the subcommittee that we didn't have any idea of this when we were asked to see if we could figure a solution of the problem.

Mr. FULTON. And there was no lack of study. The only problem was that they had not yet either ordered conversion on any barges or made available even financial assistance to encourage the conversion, but I assume that will all be done pursuant to this recent study to which you refer.

Mr. NELSON. And which we have initiated.

Senator MEAD. A subcommittee of the Committee on Commerce, on Rivers and Harbors, has been holding hearings on the Maybank resolution for the greater use of inland waterways. They developed the idea that an additional 100,000 barrels of petroleum could be delivered to New England every day if the maximum conversion of lake ships coupled with the maximum use of canal barges together with the use of available coastwise ships that could ply as far as Albany up the Hudson River were fully utilized. In addition to the conversion of tankers which is held up, perhaps, in R. F. C. or perhaps in Mr. Eberle's division of W. P. B., it would be necessary to utilize lake ships from the pipe-line outlets and Chicago and Toledo to the barge-canal outlet terminal at Buffalo and Oswego to the fullest degree, and then to use the canal barges from Buffalo and Oswego to Albany where a large storage capacity is available, and then, instead of running these barges down to New York, let the coastwise ships come up as far as Albany because then you would have a shorter shuttle for our canal barges. You would get a greater use of your lake vessels, and you would have a larger hauling capacity for your coastwise ships. Now, that involves more than shipping because it was developed at that hearing that the Great Lakes zone does not participate in the financial pool that has been set up by the Petroleum Coordinator's office to offset losses in the shipping of petroleum, and as long as that obstacle is present, the petroleum distributor will not use the Great Lakes' facilities to the maximum.

There is a pool set up so that the distributor who loses money as the result of the withdrawal of tanker shipping and the substitution of rail shipping participates in it when he suffers a loss, but if he ships out of district 2 he does not participate in the pool, and so our



committee felt—our Committee on Commerce—that if we had a round-table discussion and if we had in addition to ourselves, Mr. Nelson, Mr. Ickes, Mr. Eastman, Mr. Henderson, and Mr. Jones, of R. F. C., without legislation, we could deliver a very substantial additional sum of petroleum into New England and New York.

Mr. NELSON. I would appreciate it if you would have Mr. Wayne Johnson talk to any member of the committee who knows all those facts.

Senator MEAD. Mayor LaGuardia made the observation at the conclusion of our hearing, which was attended largely by the mayors conference, that we had the solution of the problem if we had a meeting of the minds.

Mr. NELSON. Well, that is easy to get, Senator.

Senator MEAD. Our committee is going to call that group together for a round-table discussion on the Maybank resolution, and I thought I would bring this up here as a contribution to this discussion.

Mr. NELSON. May I suggest, sir, that you talk to Wayne Johnson so that he can prepare the technical data to be ready for each one of us?

The CHAIRMAN. Mr. Nelson, I noticed in your report that you appointed a rubber coordinator.

Mr. NELSON. Yes, sir.

The CHAIRMAN. Are you making any surveys or inventories of tires and cars on hand in the hands of Government departments and bureaus?

Mr. NELSON. I can't tell you whether that has been done or not.

The CHAIRMAN. The reason I am asking you that question is that there were some cattlemen in town yesterday from New Mexico who stated that there were 2,000 cars being used in the Bureau of Indian Affairs looking after the Indian and there were 11,000 tires stored in New Mexico so as to be sure that the cars would have tires to run. I think it would bear an investigation and I think it would be a good thing to look into other bureaus and see that everybody else is not doing the same thing.

Mr. NELSON. I will be glad to check that for you.

Senator BURTON. I have been interested in your whole report, and I want to thank you for the presentation of it, and I think it is extremely helpful. In the rubber situation you went into more detail than in the rest of it, and you mentioned particular substitutes for crude rubber. I noticed that you did not mention and therefore I am asking you whether you had learned anything about thiokol of the Dow Chemical?

Mr. NELSON. I would be glad to tell you about it. Thiokol is a resinous material similar to rubber which has about 33 $\frac{1}{3}$  percent of the wear to resistance that buna-s has, if you call buna-s 100; or rather, let's take crude rubber at 100, buna-s at 90, butyl at 60, and thiokol around 33 $\frac{1}{3}$  percent. I think thiokol has a value and we are going to have Dow expand it to the limit and see how much of it we will need. It has a possibility of being a recapping medium. When we strike the low point, which will probably be some time in July of '43—from there it will begin to pick up again—thiokol in quarter or three-eighths-inch strips can be used to keep the essential tires running. It is going to be valuable, I believe, as an additional material to the reclaimed rubber for recapping to keep essential tires going

and may be just that factor of safety which we need to avert a crisis in essential civilian driving.

Senator BURTON. As I understand it, it was recommended by this tire committee of automotive and rubber industries and its particular virtue was that it could be produced quickly.

Mr. NELSON. It can be produced quickly, sir, and with a minimum expenditure of critical materials. I talked with Mr. Kettering at some great length on that, a man in whom I have a great deal of confidence, and he expressed the point of view of the automobile people, and the alternatives of what you could do, and I am quite in agreement with him on that thing, to do as much as we can in the production of thiokol, which is diethylene chloride, and therefore does not take up much critical material. There is a limit of chlorine because there is somewhat of a crisis in the chlorine situation, but I think we can get something that can add to our supply of reclaimed rubber, so that we can recap the essential tires. The whole picture in this rubber is this: We must not let a breakdown occur in the essential driving which needs to be done. On the other hand, we cannot afford in wartime to have nonessential wearing out of rubber and wearing out of critical materials for nonessential driving. We want, insofar as possible, to keep our transportation system sound, to keep our basic economy sound.

Senator BURTON. The great virtue that I saw in the thiokol report that I read was that there is a gap between the time when synthetic rubber will be available, and this may fill that gap.

Mr. NELSON. That is right, for essentials. I don't believe it holds out any hope, and it must not hold out any hope for needless and useless driving of automobiles.

The CHAIRMAN. In other words, it doesn't mean that every family will have retreads.

Mr. NELSON. To take long vacations, to use the cars, no. Our whole endeavor is to keep the essential cars on the road and I think you are quite right in the observation, and I am 100 percent for it.

Senator BURTON. I had one question along that same line. You also in your report comment on guayule.

Mr. NELSON. That is a different plant.

Senator BURTON. Is that being investigated? Is cryptostegia being investigated?

Mr. NELSON. That is right. A man in town has some of them and is coming to see me. There are other things and every one of those things is going to be run down to the limit.

Senator BALL. Mr. Nelson, I would like to ask about the copper picture. Can you tell us how much our production in copper is over a year ago?

Mr. NELSON. Yes, sir; I have the figures. It is a relatively small amount over a year ago. I can get that figure for you. It is not large in amount over a year ago.

Senator BALL. What are the prospects of increasing it further?

Mr. NELSON. We are now cutting back some of the copper expansion because it can't come in until very late and for copper that comes late we are not expending the critical materials to expand now.

Senator BALL. The reason I am asking that is I recently went through a small-arms munitions plant, and if the figures they gave me on it as to what the plant is going to need for brass cartridges

are correct, I just don't see where we are going to get it from.

Mr. NELSON. That is correct.

Senator BALL. I was wondering if we haven't reached the point in copper where we should go out and collect all bronze and brass that we can collect, even if we have to take the andirons and ornamental signs and decorations.

Mr. NELSON. May I say this, sir, that we have plans—progressive plans—for taking all copper that we need. There is a lot of copper in the country.

Senator BALL. I know that.

Mr. NELSON. The first thing that you can do which will have no harmful effect, is to take off of buildings brass name plates and bronze name plates, and replace them with wooden ones. We have got to think in terms of everything that is critical material being replaced with something else.

Senator BALL. Well, what I was thinking of was that recently I was up in Minnesota and a weekly newspaper publisher told me that he had four or five hundred pounds of bronze or brass in his basement that he was asking the Government to take. Another fellow said he had some bronze which was from the door of a bank; and if your shortage is anything like what I think it is, the Government should take it.

Mr. NELSON. We have progressive plans for doing that. However, in thinking in terms of bronze doors you have to replace them with something.

Senator BALL. Well, these have already been replaced by steel doors.

Mr. NELSON. In those cases they should put them in the scrap collection which starts the end of this month—an organized scrap collection. We have all of those things progressively charted in the picture. Now, name plates can be immediately taken because a wooden nameplate in the time of war can do just as well, and when the war is over they can be replaced by bronze. Copper ash trays—there is a lot of copper there—there are a million tons at least in the economy, but we don't want to take that until it is absolutely necessary because it is still there; it isn't being used. There is no wear factor on it. The Army and Navy do have a problem on the substitution of steel for copper. In the shells from 20 millimeters and up it looks very good. As a matter of fact, some of the tests look as if a properly heated steel will be better than copper and will make better shell cases than copper, and the experiments are going along actively in small arms as well. You are quite right. There is a lot of this, and we have it all charted. We know where it is; we know how to get different organizations together to do it when we need to have it come in.

Senator BALL. You are reasonably confident then that these ammunition facilities will not be slowed down when they come into production because of the lack of raw materials?

Mr. NELSON. I am reasonably certain. Because I have my doubts, sir, I am not promising.

Senator BALL. In this particular plant they had already been slowed up some because—

Mr. NELSON (interposing). We are having the whole munitions program reviewed both here and in England by the Chiefs of Staff.



They are engaged in that now, to see whether the program is too large or not.

Senator BREWSTER. About renegotiation, you have indicated in your report that you recognize the problem of avoiding excessive profits which have been the subject of much discussion. How much can you give us as to the actual accomplishment to date in renegotiation—totals?

Mr. NELSON. The total of today is about a half a billion dollars.

Senator BREWSTER. Do you know how many contracts that involves?

Mr. NELSON. Oh, I think it is probably some twenty-five. We are hitting the big ones first.

Senator BREWSTER. You have taken the big ones first?

Mr. NELSON. That is right, sir. Now, what has happened there, as the manifestation of the price of the thing which I discussed with you when I started, is the number of man-hours which have come down and short cuts in production which have been achieved, and they are able to do this thing with fewer man-hours and even less material, or the substitution of other materials. Naturally, the cost comes down. I have anticipated this for a year. I knew that it was coming down from my own experience in merchandising. As you put a thing into mass production, it does come down in even greater ratio than your number of man-hours comes down because you have overhead, depreciation and all of those factors which lower the cost of your item as your production goes up.

In the early days our manufacturers had no experience with the making of any of these things and they were made on the basis of estimates, and most of those estimates were based on the experience of a very small production. Now, as your production goes up in very tremendous quantities, your cost goes down, and there must be a renegotiation of this thing or profits would be absolutely extravagant, and industry doesn't want them.

Senator BREWSTER. Do you have any idea of what the total amount involved in this renegotiation to date were? That is, what you were able to save the half billion on?

Mr. NELSON. Well, there is a half billion direct as refunds.

Senator BREWSTER. On past—

Mr. NELSON (interposing). On past contracts, but I couldn't make you an estimate, Senator. If I did, I would say that it runs in the reduction of billions in cost. I could sit down and cite you one gun for which they were paying \$150. Now, as it gets down to mass production and you begin to produce it, that gun is costing now less than \$50. That has actually been a reduction in costs, so you have the two phases, the reduction in costs and the renegotiation of past contracts, and every contract is subject to that renegotiation, and these companies come in. It works with the price adjustment committees or with the renegotiating officers, and new costs are arrived at, at which new production comes in.

Senator BREWSTER. Are you inviting them in or do they in cases come in?

Mr. NELSON. Some of them come in of their own accord because they know they are making too much profit and say, "We would



like to have this looked at." And they say, "Our estimates of costs are far too high. We are realizing lower costs."

Senator BREWSTER. Mr. MacKeachie told us of setting up a cost accounting division which was going to make reviews. Those are going to be checks?

Mr. NELSON. Those are checks.

Senator BREWSTER. You are seeking to detect any cases where there would be something very excessive?

Mr. NELSON. Yes; and we are doing that now. That was recently set up under Tom Sanders, whom we borrowed from Harvard Business School, and he has now been doing that for a year. The negotiation officers are the principals themselves so that they themselves will accomplish this when we contract with a manufacturer to take account of changed elements of cost due to increased production.

Senator BREWSTER. How large a division is that under Mr. Sanders?

Mr. NELSON. Oh, it is relatively small because the work is done along with others.

Senator BREWSTER. With other agencies?

Mr. NELSON. Yes. Even the Division of the Treasury helps us in it.

The CHAIRMAN. This committee hasn't called in any of these companies because we wanted to give your organization a chance to get this renegotiation done, but if there are any of these outfits in any way recalcitrant, and you want to have a public hearing and air out just what the situation is with them, we would be glad to arrange to do it.

Mr. NELSON. All right, Senator.

Senator BALL. That 500,000,000 figure—the amount that has been refunded, is that the result of renegotiation or the total amount of the contracts?

Mr. NELSON. No, sir; that is the refund. This is the report from the Army signed by Russell B. Stearns, Chairman of the Price Adjustment Board, which has been set up in cooperation with all of our agencies under an Executive order signed by W. P. B. and the Army and the Navy.

Senator BALL. What was the total amount of those contracts originally?

Mr. NELSON. I don't have that figure here, but this is the estimated amount as of June 20—the estimated amount of voluntary refunds on price reductions on existing contracts and reduced prices on new contracts arising from negotiation and renegotiation from the period of April 15 to June 15. This is only a part of it. The Navy also has another 250,000,000 in this particular picture. This is the Army.

Senator BURTON. Mr. Nelson, I was interested in your comment in your report on the fact that you found it wise to proceed on this basis of company renegotiation and not on the basis of contract by contract, in order that the losses on one contract might be taken into consideration with the profits on another.

Mr. NELSON. That is perfectly necessary, sir.

Senator BURTON. That seems important and sound to me. I wonder how you then found a stopping period. Do you do it on an annual

basis or when do you cut off the examination of the company later? It is a little difficult.

Mr. NELSON. It is very difficult, sir, and I think the price adjustment, the way I conceive of these things, and the price adjustment boards should not try to take the last penny; that should be the excess-profits tax by Congress, but you should take the big ones, the cream, because when you take it you avoid its being wasted.

Senator BURTON. But you can't just wait until the end of the war. You will have to cut it off at some period.

Mr. NELSON. That is a very difficult thing. But again, if you view it from the standpoint of the fact that you are not attempting to take the last penny of adjustment, but you are attempting to get the bulk of it letting the excess-profits taxes take the remainder, I think you will not have the danger which I always fear in this. I am worried about the profit a company makes, but on the other hand, I don't think we should impair the capital structure of the company. In other words, I think a company, even if it doesn't make a profit, even though I prefer to see a profit, because there is always more of an incentive, is not in too bad a situation, but when you are taking a capital loss, then you are affecting the life of the company whether it be large or small.

Senator BURTON. Then, it would be necessary to do that with considerable flexibility?

Mr. NELSON. That is right. Each case will be a separate case rather than general renegotiation.

Senator BURTON. I was interested to see what you apparently reached as a conclusion in the report that you felt there was a place for renegotiation of contracts to avoid excessive profit in addition to and apart from what can be done by the excess-profits tax. You would not, at least, leave it all to taxes.

Mr. NELSON. As I say, sir, I think you should skim the cream of the milk that is in the bottle and put the amount of fat that remains in the bottle—if you are a farmer you will understand what I mean—it is apparent that should be taken over by the excess-profits taxes and that is a figure after the facts. There is no danger of impairment of capital because of reduction of price.

Mr. FULTON. Also the competitive situation is important. Its competitor structure after the war or its ability to compete after the war might be entitled to a little better or a little bit more than one who is making a lower profit, but who was improving that.

Mr. NELSON. That must be taken into consideration. There is no one formula that we can use in this picture.

Mr. FULTON. I wanted to say also in connection with this point about raw materials running out, that the very fact that you have been so successful in increasing beyond what was expected in lines of production in one sense, made much greater problems for you in the raw materials.

Mr. NELSON. That is right.

Mr. FULTON. One problem creates another.

Mr. NELSON. One problem creates another, that is right.

Mr. FULTON. I want to thank you for the extreme cooperation we have been receiving from the W. P. B. and all the people who we have had occasion to ask questions from.

Mr. NELSON. You will continue to get it, sir.

The CHAIRMAN. I want to say right here, as I said awhile ago, that the report is good. It sets out a decided improvement along the lines that we called attention to in the report of January 15.<sup>1</sup> We see that you followed a lot of these suggestions and the committee is very, very much pleased with the problems that you have settled, and we want to be helpful in the problems that may face you in the future. There is a prospect that due to some serious requests that have been made of the committee that we will want to go into the steel program. I don't know whether we will want to do that immediately or not, but if we shall want that we want your cooperation also.

Mr. NELSON. You will get it.

The CHAIRMAN. We are trying to work out plans to go into that in some detail and we would like to have that.

Mr. NELSON. Well, you will get it 100 percent.

The CHAIRMAN. We thank you very much, and we appreciate very much your coming up.

(Whereupon, the committee adjourned at 11:50 a. m. subject to the call of the chairman.)

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<sup>1</sup> Referring to committee's Interim Report, Senate Report 480, Part 5.





# INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

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WEDNESDAY, JULY 22, 1942

UNITED STATES SENATE,  
SPECIAL COMMITTEE INVESTIGATING  
THE NATIONAL DEFENSE PROGRAM,  
*Washington, D. C.*

The committee met at 10:35 a. m., pursuant to adjournment on Thursday, June 25, 1942, in room 318, Senate Office Building, Senator Harry S. Truman, presiding.

Present: Senators Harry S. Truman, chairman, Ralph O. Brewster, and Harley M. Kilgore.

Present also: Mr. Hugh A. Fulton, chief counsel; Mr. Charles P. Clark, associate chief counsel.

The CHAIRMAN. The committee will come to order.

I have an announcement I wish to read before I start the regular committee hearing this morning.

This committee has been very much concerned over the great number of sinkings of American cargo vessels, and has held private sessions for the purpose of ascertaining what practical steps can be taken to remedy the situation.

The sinkings have increased rather than decreased, and more ships are being sunk than are being built.

Consequently, the committee was very much interested in the proposed shipyard for Higgins Industries at New Orleans. Senator Ellender, of Louisiana, requested the committee to examine the Higgins' yard, and several months ago a number of the members of the committee and Senator Ellender went to New Orleans and spent several days with Mr. Higgins.

The committee thereafter, in private session, asked Admiral Vickery, of the Maritime Commission, to supply it with facts concerning the yard and was assured by him that the Maritime Commission considered the proposed plan of construction to be entirely feasible, and placed great reliance in Mr. Higgins' ability to build the ships so sorely needed, and that the Maritime Commission expected to have sufficient steel unless it was diverted to other purposes.

Consequently, the committee was surprised to learn that the contract was to be canceled after millions of dollars of Government money had been expended in connection therewith, and at a time when the need was even more apparent than at the time of the granting of the contract.

The assigned reason that steel is lacking also touches a subject in which the committee has been conducting investigations.

The committee is also interested in the suggestion of Mr. Henry Kaiser that if ships cannot be built, some of the shipyards can be used to construct cargo planes.

The committee will, therefore, hold public hearings commencing Tuesday, July 28, at which Mr. Higgins and officials of the Maritime Commission will be heard with respect to the Higgins shipyard and the cancellation of its contract, and at which Mr. Kaiser and Mr. Glenn Martin and officials of the War Production Board will be heard concerning the plan for cargo-carrying airplanes.<sup>1</sup>

The committee hearings with respect to steel will start on Thursday, August 6.<sup>1</sup> Witnesses will be announced at a later time.

Mr. Blandford, will you please take the witness stand. You have never testified before this committee, have you, Mr. Blandford?

Mr. BLANDFORD. No, sir.

The CHAIRMAN. Will you raise your right hand. Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in what you are about to say before this committee, so help you God?

Mr. BLANDFORD. I do.

The CHAIRMAN. Just be seated. Sit next to the reporter. It is easier for him to hear.

Mr. BLANDFORD. All right.

#### TESTIMONY OF JOHN B. BLANDFORD, JR., ADMINISTRATOR, NATIONAL HOUSING AGENCY

The CHAIRMAN. As you know, we are very much interested in the Willow Run housing project and the situation as it has now developed. We postponed this hearing for several weeks at your request, to go further into the matter.

I understand that you have a statement that you want to make to the committee this morning that we will be glad to hear.

#### ORGANIZATION AND FUNCTIONS OF NATIONAL HOUSING AGENCY

Mr. BLANDFORD. Mr. Chairman, I do have a short statement. Before reading it I would like to inquire if it would be helpful to you and the members of the committee if I made a brief informal explanation of the National Housing Agency set-up.

The CHAIRMAN. I think it would be most interesting. We would be glad to hear it.

Mr. BLANDFORD. Very briefly, sir, the National Housing Agency was established February 24, 1942, by Executive order. It was designed to bring together into one agency all of the activities of the Federal Government with respect to nonrural housing. Some 16-odd agencies and administrative units were thus consolidated into the National Housing Agency.

The CHAIRMAN. That was along the lines that had been recommended by this committee in its report of January 15, 1942. Wasn't it substantially that?

Mr. BLANDFORD. In principle, yes. There was considerable support for such a consolidation.

As established, the National Housing Agency is a relatively simple set-up. It consists of the Administrator's Office and three large constituent units: The Federal Home Loan Bank Administration, which

<sup>1</sup> Hearings on steel and cargo planes will appear in Hearings, Part 14.

performs functions identical with those of the previous Board; the Federal Housing Administration, which is concerned with the insurance of real-estate mortgages; and the Federal Public Housing Authority, which is a consolidation of the older United States Housing Authority plus a considerable number of administrative units that had been set up to carry on war housing. Those agencies have pretty well stripped their decks and streamlined their work, to concentrate on the job of war housing.

As we carry on the job in the National Housing Agency, the Administrator's Office undertakes the responsibility for determining the need for war housing and programing to meet this need. The three constituent units are then responsible for carrying out these programs. For example, the Federal Public Housing Authority executes programs for war housing financed out of public funds. That unit, after the Administrator's Office has programed, is responsible for the selection of sites, the design of the project, the letting of contracts, the supervision of construction, and the management of the project when completed.

The Administrator's Office, in programing, has a system of 10 regional offices; and increasingly, under our new policy, the programing responsibility is being decentralized and carried on in the regional offices. It is the particular intent and practice of the National Housing Agency and its regional offices to do programing in close cooperation with our constituent units, to give them a preview of the job that they have to execute, and to tap their background and experience. Second, it is our intent and practice to cooperate with all other Federal agencies that have an interest. Third, and perhaps most important, we must tie in completely with the local communities—official and civic groups, management, and labor—in this programing process.

Finally, I would like to offer this explanation: The National Housing Agency, in programing war housing, does so within a definite framework, set in the first instance by Congress and its statutes and policies, its authorizations and appropriations. This is added to by the War Production Board with particular reference to the availability of materials and a system of priority administration; and, finally, there is a pattern of labor supply—manpower availability—established by the War Manpower Commission.

Within that framework National Housing Agency endeavors to determine the need for war housing and in that process consults and works closely with the Federal Works Agency with respect to community facilities, with the Office of Defense Transportation on transportation problems, and with other agencies such as the National Resources Board.

I believe, Mr. Chairman, that this gives a brief sketch of the framework within which we work.

Now, if I may, I should like to read this short statement, sir, which I think is responsive to the committee's interest in this problem and arises out of a review of the housing problem in the Willow Run area started many weeks ago.

The National Housing Agency welcomes this opportunity to discuss the war housing problem in the Willow Run bomber plant area. The problem there has been complex and the facts have changed with



the war situation. But we are applying there the same objective principles of programing that we use throughout the country.

First of all, in the case of Willow Run, as elsewhere, the National Housing Agency has sought and obtained assistance from many sources. Some of the agencies participating in the development of a program for Willow Run have been the War Manpower Commission, the Office of Defense Transportation, the Federal Works Agency, the War Production Board, the National Resources Planning Board, and various local agencies in the Detroit metropolitan area. In addition, we have had advice and cooperation from labor groups and management.

The National Housing Agency, in programing war housing, has to deal with principles and with facts. The principles, although reshaped from time to time, are fairly stable and simple. While in force they are applied uniformly to various localities. In summation, these principles boil down to the proposition that each locality shall obtain the minimum amount of war housing it needs, insofar as the materials can be made available. This rule has been applied, and is still being applied, to the Willow Run area.

The facts with which the National Housing Agency has to deal vary, naturally, from place to place. What is more important, the facts vary from time to time in any one place—facts with regard to the amount of war contracts to be let in a particular area, the amount of plant expansion contemplated, the feasible utilization of local labor supply, the types and numbers of men being drawn by the Army, the number of in-migrant workers required, the amount of critical materials there and then available for the housing of these in-migrants.

In the Willow Run area, there have been changes in facts recently, which have necessitated a change in programing. Very briefly, in February and March of this year, the United States Employment Service and the War Production Board developed estimates that the peak of war employment in manufacturing in the whole Detroit area would be about 742,000 persons; and that this would require an in-migration of war workers ranging from a low of 140,000 to a high of more than 200,000. At the same time, the same agencies and the Ford Co. estimated that peak employment at the bomber plant at Willow Run would come to about 100,000.

On the basis of these estimates, the National Housing Agency developed a housing program during March and April 1942. New construction was programed to take care of 47,000 of the 100,000 workers anticipated at the bomber plant. The remainder of the workers were expected to commute from Detroit or other areas within commuting distance, or to find accommodations somewhere in the surrounding territory; but it was recognized that the program was too small to provide for all the workers to be employed.

But the facts changed. In May the War Production Board determined that excessive materials and manpower would be required for housing and utilities, if war manufacturing employment in the whole Detroit area exceeded 675,000 at the war peak. This contrasted with the 742,000 earlier indicated. On the basis of this lower figure, and relying upon constantly improving devices for the use of local women in industry, the W. P. B. ordered that the in-migration of war workers into the whole Detroit area should be kept down to 75,000, instead of about 150,000. In May and June, continuing its revisions, the



W. P. B. and the Ford Co. placed peak employment at the Willow Run plant at about 60,000, contrasted with the 100,000 earlier contemplated.

#### WILLOW RUN HOUSING PROGRAM<sup>1</sup>

Mr. BLANDFORD. On the basis of these changing facts, the National Housing Agency developed a new housing program for the Willow Run area. This new program contemplates the construction of temporary dormitories for 3,000 single workers, temporary dormitory apartments for 1,000 two-person families, 4,500 family dwelling units built with public funds, and 4,500 family dwelling units built by private enterprise. The private family units will be within a radius of approximately 10 miles of the plant. Of the public family units, 2,500 will be constructed within the vicinity of the plant and 2,000 will be constructed in Wayne and Inkster.

This housing program is designed to provide new construction for 15,750 workers, leaving the remainder for the time being to be provided for by commuting from Detroit and other areas and by using existing structures in the surrounding territory. Superficially, it might seem that our new or adjusted housing program is smaller, in proportion to employment at the plant, than the old program. But upon analysis, this is not so. For new construction is programed, not in terms of total employment, but rather in terms of the excess of employment over the capacity of existing facilities. I stress this point to make it clear that, while we have cut down the program to fit the size of the job, we are consistently following the principle that minimum necessary housing should be provided.

I should like to have inserted at this point in the record a detailed justification, or comparison, showing the housing requirements for peak employment of 100,000 and 60,000, respectively, in the Willow Run area.

The CHAIRMAN. It will be inserted.

(The tabulation referred to was marked "Exhibit No. 535" and is included in the appendix on p. 5373.)

Mr. BLANDFORD. These figures will make it clear that, while our current methods of programing are tighter, the reduction in estimated housing requirements has been due to a change in the size of the program at Willow Run, rather than in our basic methods of programing.

The Willow Run program, furthermore, reflects that the National Housing Agency is studying constantly those methods of construction, of programing, and of control which will use the least materials consistent with doing the job and maintaining decent standards.

In the case of Willow Run, we are proposing to save critical materials in two ways: First, by using in the Willow Run area a type of housing structure which uses only 25.6 percent as much critical materials as the comparable pre-war structure; and second, by cutting down the total volume of the Willow Run program in accordance with the reduced need. In summary, the housing construction program for the Willow Run area as of April 24, 1942—public and private—contemplated the use of 33,536.1 tons of critical materials. The adjusted program contemplates the use of only 13,802.6 tons of

<sup>1</sup>In this connection see correspondence between Maury Maverick, chairman, Willow Run Committee, W. P. B., Mr. Blandford and Senator Truman, appendix, pp. 5407-5410. See also statement of C. I. O. committee on housing, appendix, p. 5411.

critical materials, a saving of 19,733.5 tons, or approximately 58.8 percent.

I ask to have inserted in the record at this point a series of useful tables bearing upon the critical material situation.

The CHAIRMAN. That is so ordered.

(The tables referred to were marked "Exhibit No. 536" and are included in the appendix on p. 5374.)

Mr. BLANDFORD. The committee, I am sure, is familiar with various suggestions, whereby it is claimed that we might further save critical materials in connection with the proposed Willow Run program. I should like just a few moments in which to discuss these suggestions one by one.

First, it has been suggested that we could save critical materials by not programming any permanent housing in the Willow Run area. In this connection, the committee will note the table showing the comparative critical materials for various types of public housing. This table indicates that the temporary war house uses 90 percent as much critical materials as the permanent war house, which we have developed at so large a saving over the pre-war permanent house. We do not believe that this saving of only 10 percent per house justifies the waste that would be involved in starting with temporary family units at Willow Run, at least with regard to the 4,500 public family units in the adjusted program. Temporary housing involves a substantial loss to the Government, with nothing but salvage value recouped after the war. Permanent housing, either for rent or for sale, should return to the Government the entire investment. Certainly, one of the newest and finest and most durable plants in the world, which has the machinery to employ 100,000 men, will employ enough men to occupy these 4,500 permanent family units after the war.

Second, it is suggested that we could save critical materials by building fewer houses. The facts are that, whether we build at Willow Run or somewhere else, the minimum of new construction represented by the adjusted program must be built somewhere if employment at the plant is to reach 60,000. I should like to insert, at this point in the record, a short statement on the critical housing shortage in the whole Detroit area.

The CHAIRMAN. That is entirely satisfactory.

(The statement referred to was marked "Exhibit No. 537" and appears in full in the text below.)

Mr. BLANDFORD (reading) :

#### CRITICAL HOUSING SHORTAGE IN WHOLE DETROIT AREA

(1) Housing census 1940—vacancy ratio of 3.2 percent in Detroit-Ypsilanti area.

(2) W. P. A. survey April 1942—0.6 percent vacancy ratio in Detroit alone and 0.4 percent in Detroit and nearby cities.

(3) Homes Registry Office, Detroit, June 20, 1942, reported 128 vacant family dwelling units and 1,800 rooms listed for rent in the Detroit area.

(4) Homes Registry Office, Ypsilanti, June 20, 1942, reported 24 vacant family dwelling units and 274 rooms listed for rent.

It indicates an alarmingly low vacancy ratio of only 0.4 percent in Detroit and nearby cities, as of April 1942.

Third, it has been suggested that critical materials could be saved by building on improved vacant lots in the Detroit metropolitan area.

Most of the private housing will be on lots with some utilities installed. Recent studies indicate that the lots within a reasonable commuting distance of the Willow Run plant will be no more than sufficient to serve the private housing programmed for that plant. So far as lots beyond a reasonable commuting distance are concerned, it is still hoped that the private building operations in the Detroit area other than Willow Run will utilize a good part of these lots. More specifically, I should like to introduce at this point a very detailed study made in connection with the original site selection study, showing the numerous limitations on the use of these lots.

(The study referred to was marked "Exhibit No. 538" and is included in the appendix on p. 5377.)

Mr. BLANDFORD. Fourth, it has been suggested that critical materials would be saved if all of the needed additional public housing for workers at the Willow Run plant were provided in Detroit, thus eliminating the necessity for the construction of a supply water main to the Willow Run area. It is true that a substantial quantity of materials will be used in the construction of this water main. I would like to insert, at this point in the record, a statement bearing upon this matter, furnished by the Federal Works Agency.

(The statement referred to was marked "Exhibit No. 539" and is included in the appendix on p. 5378.)

Mr. BLANDFORD. As against the critical materials required for the supply water main, we must balance the transportation problems that would be involved if we built no housing in the Willow Run area. Even with such housing at Willow Run, it is contemplated that about 22,200 workers at the plant will commute from Detroit. All of our information counsels us against the further strain upon transportation, already overtaxed, if the more than 10,000 workers whom we plan to house in public projects near the plant were forced instead to commute from Detroit. The location of this reasonable fraction of the workers in closer proximity to the plant, is consistent with accepted national policy directed toward a rational distribution of the burden upon transportation and other facilities.

Moreover, transportation over long distance involves costs in money and in production efficiency. Each worker commuting from Detroit to Willow Run pays about \$1 a day, or about \$25 a month, in fares. The War Production Board, in connection with priorities for private housing, recognizes that more than 40 cents a day for transportation is an unreasonable burden upon the wage earner. And since the Willow Run plant is owned by the Government, it is fair to assume that excessive transportation costs are paid ultimately by the public in one way or another. In addition, commuting from Detroit to Willow Run by public transportation involves on the average more than 3 hours of travel per day. This undoubtedly produces fatigue and lessens efficiency.

We must use our best judgment in weighing the relative merits of different solutions, in terms of the advancement of the war effort. In the final analysis, the War Production Board must make the decisions involving the best use of the materials at hand. We believe it to be more economical and more efficient to build the supply water main once, rather than to transport thousands of workers 300 times a year. This is, of course, subject to review.



The decision as to how much housing to program for the Willow Run area involves a nice balance of many factors. Some of these factors are imponderables, and not subject to exact measurements. All we can say with surety is that we have brought to bear the best and most exact measurements that are available to us. We have also brought to bear the best efforts within our competence. We believe that we have achieved a sound result, and that the interests of production at the Willow Run plant and the interests of the country as a whole require that the program move ahead without delay.

The CHAIRMAN. Now, Mr. Fulton, did you have a question?

Mr. FULTON. Mr. Blandford, this original housing project, as I understood it, made provision for—

The CHAIRMAN (interposing). If you desire to have somebody sit with you you may do so.

Mr. FULTON. Ten thousand dormitories and now it is reduced by 70 percent to 3,000 in dormitories. Do you have the figures as to the cost of that original dormitory program?

Mr. BLANDFORD. We have estimated, for the previous program and the present one, that each dormitory unit would cost \$1,000.

Mr. FULTON. For each man?

Mr. BLANDFORD. Per unit or per man. In the original program this would come to \$10,000,000 for the dormitories, and in the present program \$3,000,000.

Mr. FULTON. Then with respect to the temporary dormitory apartments, I understood your estimate to be \$2,000 per apartment.

Mr. BLANDFORD. Per apartment—per unit.

Mr. FULTON. And that would be?

Mr. BLANDFORD. \$16,000,000 in the original program and \$2,000,000 in the present.

Mr. FULTON. Those were to be used, I believe, for people who were both working—husband and wife—in the plant, and there were no children.

Mr. BLANDFORD. They are to be used, sir, to house workers with two-person families; in other words, where there are no children. We assume, on an average, one and a half workers per couple; in other words, that every other wife works. The provision of this type of facility represents efforts on our part within the last few months to design a type that would be adequate and decent, but economical of materials. The dormitory apartment is new, it is experimental, and we are not sure yet as to the response to it, or even as to whether we shall get full occupancy of such units. We do feel that, in the interest of conserving materials, we ought to try to utilize this type of accommodation.

Mr. FULTON. But that is the type that has obtained the severest cut in the revision; is it not? Almost 90 percent.

Mr. BLANDFORD. That is correct, sir.

Mr. FULTON. And then you had 15,000 house dwelling units for families at \$5,500 a unit, which on your table here, would be 82½, and that would have been cut down to 4,500 units at the same price, or a total of \$24,000,000.

Mr. BLANDFORD. That is correct, sir.

Mr. FULTON. That means, then, that housing that was programmed for \$108,000,000 is now cut to \$29,750,000?



Mr. BLANDFORD. That is correct, sir, on a basis of minimum programming.

Mr. FULTON. And then, in addition, you are building, or you have planned to build, a pipe line to connect the Detroit city water supply with Wayne, Mich.—I believe a 48-inch steel-pipe line. Do you have the cost on that?

Mr. BLANDFORD. There has been in this picture from the beginning the problem of water supply west of Detroit, and there are currently projects prepared by the Federal Works Agency for a line to Wayne and Inkster, and for an extension of that line to the Willow Run area.

In my statement I offered as an exhibit a break-down of the materials required for that water line. I do not have available the cost. Those figures would, of course, most appropriately be supplied by the Federal Works Agency. My recollection, sir, subject to correction in the record, is that the line out to Wayne and Inkster would cost something over \$2,000,000, and the extension from Wayne and Inkster to the Willow Run plant would be approximately \$1,000,000.

The CHAIRMAN. A total of about \$3,000,000?

Mr. BLANDFORD. That is my recollection, sir. May I add in this connection, sir, that the water line to Wayne and Inkster, I am informed, was approved even prior to the housing program itself, as an essential need for supplementing water supply in that area.

The CHAIRMAN. You mean by the Federal Works Agency?

Mr. BLANDFORD. By the Federal Works Agency.

Mr. FULTON. As I understood it, that line is something which would be needed if Wayne and Inkster are to be expanded, either for private building or for public building.

Mr. BLANDFORD. That is definitely so, sir. The supply is inadequate; and if we are to rely upon these 4,500 family dwelling units constructed by private enterprise, we need the water supply at Wayne and Inkster supplemented. Furthermore, we need another project at Ypsilanti for increasing the water supply at that point.

Mr. FULTON. Consequently, you could not say that for the new bomber site, you in effect were using that particular pipe line solely for that purpose, because you have to have it anyhow if you are to expand Wayne and Inkster, either publicly or privately.

Mr. BLANDFORD. There is definitely a need for carrying the line on out to Wayne and Inkster to meet our proposed housing program, and, of course, as we see it, a justification for bringing it out to the bomber plant as well.

Mr. FULTON. When it is at Wayne, it would be approximately 10 miles from the new site; would it not?

Mr. BLANDFORD. Nine or ten miles, sir.

Mr. FULTON. And as I understood it from you, also, private housing could not get F. H. A. approval in the Wayne and Inkster area recently because there was not sufficient water at the time.

Mr. BLANDFORD. That is correct.

Mr. FULTON. Now the pipe line from Wayne to the new city site would be used, however, only for this new housing; would it not?

Mr. BLANDFORD. Yes, sir; in using a reference to a new city site, I don't know whether that is an accurate identification or not. In planning 2,500 dwelling units in the vicinity of the plant, perhaps under another definition it might be almost a suburb of Ypsilanti.

In any event, because of what I understand to be a water problem in that area, a reliance upon wells, there is a proposal to increase the Ypsilanti plant to twice its capacity in order to meet its own needs and the needs of new private enterprise houses. Because of the unavailability presently of the water supply which the Defense Plant Corporation has installed—

Mr. FULTON (interposing). Why is that unavailable?

Mr. BLANDFORD. Presumably because they feel that they need it for their own plant purposes.

Mr. FULTON. You mean the wells that have been driven at the bomber plant itself, which was built by the Defense Plant Corporation, have not been made available for any use, even in construction by you?

Mr. BLANDFORD. As I understand it, that provision for additional water, which includes a line from Ypsilanti, was designed and intended for the use of the plant itself and without relation to housing. We intend to pursue that question further as to its availability. In any event, if it were available I understand it would be of help only in connection with some dormitory units. The broad picture is that we are planning to house some 10,000 workers, some 15,000 persons, in and around the plant, and it is on that basis that we suggested the water line be extended. This \$100,000,000 plant, which is a considerable Government investment, might well justify the outlay of an additional million dollars to bring water out to it, and in fact this might well have been done at the time the plant was built.

Mr. FULTON. First, is not the capacity of the wells sufficient for the plant?

Mr. BLANDFORD. I wonder, Mr. Divers, if you could comment on that. Is that appropriate?

The CHAIRMAN. Yes; surely.

Mr. DIVERS.<sup>1</sup> So far as I know, there has been no question raised about the capacity so long as the water supply is available there in the wells. It depends upon the water table, of course, and what happens to it.

Mr. FULTON. Is there not just south of the plant a lake formed by a dam on the Huron River several miles in length, and I believe a quarter of a mile or more in width?

Mr. DIVERS. Yes; that is correct. The Federal Works Agency retained two firms of engineers, one from Ann Arbor and the other from Detroit, to investigate the alternate water supplies for the housing. At that time a greater quantity of housing was programed than under this reduced program.

Mr. FULTON. Has either of such firms reported that the wells as drilled for the bomber plant and the lake reserve would not be sufficient to take care of the industrial uses of the plant?

Mr. DIVERS. No; so far as I know they have not. On the other hand they have pointed out that the wells at the plant have not been in operation but for a year, or part of a year, and apparently the water comes from the same strata as the water that is now being used in Ypsilanti, which also comes from wells, and there is the uncertainty of what the future will bring, so far as these wells are concerned.

<sup>1</sup> William K. Divers, regional representative, National Housing Agency, Cleveland.

Mr. FULTON. Has either of the two engineering firms recommended that the second water line be extended for the purpose of supplying water to the plant itself, as distinct from the housing project?

Mr. DIVERS. No, sir; I don't think they have.

Mr. FULTON. And with respect to these necessities for water, has an application been made to the city government of Ypsilanti to determine whether it would supply, or how much water it would supply, for dormitories or for family dwellings?

Mr. BLANDFORD. Mr. Chairman, I don't want to pretend either for myself or for Mr. Divers—too much expertness on the water issue. The whole question was exhaustively explored in the early days of the programing, and particularly under the general direction, as I understand, of Mr. Herring of the National Resources Planning Board. Ordinarily it would be a responsibility of our Federal Public Housing Authority—and Mr. Starr is here as the Detroit representative of that office—and the Federal Works Agency to review finally the actual needs for that water supply in relationship to the proposed housing. Then, in the final analysis there would need to be a decision on the part of the War Production Board as to whether the materials were available.

Mr. FULTON. Colonel Starr, has such an application been made to the city of Ypsilanti?

Colonel STARR.<sup>1</sup> I believe so. F. W. A. has that application, I believe.

Mr. FULTON. Could you furnish the committee with a copy of it?

Col. STARR. I haven't got it; no, sir.

Mr. FULTON. Could you furnish it at a later time?

Col. STARR. Surely.

Mr. FULTON. Did the city of Ypsilanti indicate that it would not furnish water for temporary dormitories?

Colonel STARR. They would if it is legally possible. They are limited as to the amount of water they may dispose of beyond the city uses.

Mr. FULTON. Was it legally possible within the limits they had?

Colonel STARR. I understand it is not.

Mr. FULTON. Is that because of some restrictive act or because it would be necessary to make some extensions of their pumping facilities?

Colonel STARR. Legally, it was a restrictive act, restricting the amount of water they could dispose of.<sup>2</sup>

Mr. FULTON. Outside the city limits?

Colonel STARR. Outside the city; yes.

Mr. FULTON. And with respect, Mr. Blandford, to the housing development itself, I believe you said there was a determination of need based on the United States Employment Service.

Mr. BLANDFORD. We rely constantly on employment figures that originate with the plants themselves, and/or the United States Employment Service, and more conclusively the figures that the War Manpower Commission validates. That is the basis of our program, and it is the War Manpower Commission that has told us we should

<sup>1</sup> Col. F. Charles Starr, acting regional director, Federal Public Housing Authority, Detroit.

<sup>2</sup> In this connection see letter, dated July 23, 1942, from George Meader to the Committee, appendix, p. 5405. See also letter, dated July 29, 1942, from Colonel Starr to the Committee, appendix, p. 5406.

presently figure on 60,000 employees at the plant. From that figure, we move into our whole process of programing, of estimating how many are single, how many are two-person families, how many are three or more person families, what proportion can be absorbed in the existing dwellings, and through that process we come out with this recommendation.

Mr. FULTON. I note, using the figures you give, that you have \$4,400 capital investment in a family house for every worker that would be housed in the project.

Mr. BLANDFORD. What figure are you referring to?

Mr. FULTON. You have \$5,500 as cost, with an estimated one and a quarter workers per house, which I believe would be \$4,400 per employee.

Mr. BLANDFORD. That is one method of computing it; yes, sir.

Mr. FULTON. Is there any other?

Mr. BLANDFORD. Well, you mean that would be the cost of housing a worker who has a family?

Mr. FULTON. No; who lives in a family dwelling.

Mr. BLANDFORD. That is right.

Mr. FULTON. And in the dormitory apartments it would be \$2,000 per apartment, and I think you figured one and a half people to the apartment, so that it would be somewhere between one thousand and fifteen hundred dollars there.

Mr. BLANDFORD. That is correct, sir.

Mr. FULTON. And in the case of the dormitory itself, it would be \$1,000 per worker.

Mr. BLANDFORD. That is right.

Mr. FULTON. Have you figured out the number of pounds of strategic materials per worker in each of the three different types of dwelling?

Mr. BLANDFORD. I personally don't have such figures. I have presented charts showing the figures on a per-unit basis, and from these it is very easy to deduce the per worker figures. Perhaps our staff has computed them, and maybe Colonel Starr has supplied them to you.

Mr. FULTON. Colonel Starr, I believe the family house had about 2,500 pounds.

Mr. BLANDFORD. Per unit? Yes; we have the per-unit figure and it is in the figures I supplied for the record in connection with my opening statement.

Mr. FULTON. Could you give us those figures?

Colonel STARR. Per worker?

Mr. FULTON. Per unit.

Mr. BLANDFORD. The figures I have, sir, are as follows: The pre-war permanent family house, by way of comparison, has 9,700 pounds per unit. The type that we are identifying as the permanent family war house, which may be demountable, has 2,478 pounds per unit.

Mr. FULTON. That would be for one and a quarter workers?

Mr. BLANDFORD. That is right, sir.

Mr. FULTON. So it would be about 2,000 pounds per worker in the dwelling.

Mr. BLANDFORD. Approximately. The temporary houses that we are building have about 2,235 pounds per dwelling unit, or almost the same as the permanent house.



Mr. FULTON. That would be between fourteen and fifteen hundred pounds per worker in the dormitory apartments, then?

Mr. BLANDFORD. In the dormitory apartments, 1,488 pounds per unit.

Mr. FULTON. Does that include the on-site utilities, or is that just the house itself?

Mr. BLANDFORD. As I understand, it includes the on-site utilities.

Mr. FULTON. And if you build housing, will you need schools?

Mr. BLANDFORD. Yes, depending upon the location of the housing and the number of units.

Mr. FULTON. How many schools have you programed for the new housing?

Mr. BLANDFORD. I believe that our Federal Public Housing Authority is assuming perhaps one school unit for each thousand dwelling units.

Mr. FULTON. That would be two to three schools, then, for the 2,500 units?

Mr. BLANDFORD. Yes, presumably.

Mr. FULTON. And would there be a high school?

Mr. BLANDFORD. I think that would depend upon a more detailed study than has been made at the moment and perhaps negotiations with Ypsilanti in that case as to the availability of their high school.

Mr. FULTON. Would you set up a separate city government?

Mr. BLANDFORD. I know of no plan to do that.

Mr. FULTON. How would you conduct the municipal fire and police protection?

Mr. BLANDFORD. I wonder if Mr. Emmerich would be the appropriate one to answer that question.

Mr. EMMERICH.<sup>1</sup> On this new program, sir, there has not been opportunity actually to work out negotiations either with the county or city of Ypsilanti. In the case of the housing at Wayne, we have assurances of cooperation from the Wayne and Inkster communities there in regard to the management of the necessary municipal services. In regard to the housing now proposed in the vicinity of the bomber plant, negotiations have not been made yet for those services, but presumably to the extent possible we would like to use the facilities of local government, and not try to have private management of fire, police, or school services. We have tried to do that in each case.

Mr. FULTON. Is this new site continuous to the city of Ypsilanti?

Mr. EMMERICH. Not quite. It is very close. It is not in the corporate limits, but it is fairly close to the community.

Mr. FULTON. Is there a space of one or more miles between it and the city?

Mr. EMMERICH. The beginning of the tract that is proposed to be used is closer than that. It is in the vicinity of half a mile. There are, of course, parts of the tract which might be 2 or 2½ miles from the center of Ypsilanti.

Mr. FULTON. And how far would that farthest portion of the site be from the bomber plant itself?

Mr. EMMERICH. Approximately 2½ miles.

Mr. FULTON. You mean under the present plan of building 2,500 units, or the earlier plan of building 6,000 units?

<sup>1</sup> Herbert Emmerich, Commissioner, Federal Public Housing Authority.

Mr. EMMERICH. In the present program we estimate the farthest point would be 3 miles.

Mr. FULTON. Mr. Blandford, with respect to the construction of the town as originally planned, do you have any figures on the number of man-hours of construction labor that would have been required?

Mr. BLANDFORD. I do not, sir.

Mr. FULTON. Colonel Starr, could you tell us the number of man-hours of construction labor that would have been required to build this group of buildings as originally planned?

Colonel STARR. I haven't that figure. I can get it for you.

Mr. FULTON. Mr. Blandford, before approving that did you have a chart made which would show you the number of thousands of construction workers that would have to be transported out to the city and the period of time during which that would have to be done in order to build such a project?

Mr. BLANDFORD. As a matter of fact—and this is not said with any thought of avoiding responsibility—my approval of the original program was to a degree nominal. I had been in office about a week, and I had been assured that the staff had worked it out carefully, particularly with the special committee that Mr. Delano had set up.

I want to add the further word that, looking back on it, it seems to me to have been a sound program in the light of the facts as they then existed. I don't know whether there was such information available as you are inquiring about at the time. I don't recall seeing it. It may well have been, and it may be in the files.

Mr. FULTON. The committee has asked for that, not only from your own office but from several offices of other agencies. So far as the committee is able to ascertain, there was no such plan and no such chart prepared to indicate how many thousand workers would have to be transported out there for how many months to build this plant, or to indicate how they were to be transported to and from the plant.

Mr. BLANDFORD. I can't throw a lot of light on it. The National Housing Agency and its predecessors never undertook in any general fashion to house construction workers. Those were considered, and apparently without criticism, as responsibilities of the contractor. Construction workers are a bit more accustomed to roughing it, living in trailers, they are there a short time, and to some extent they are staggered, one trade after another.

The CHAIRMAN. How many men do you estimate would be employed in the construction of this program as now set up?

Mr. BLANDFORD. That is a figure we intend to supply, sir. I don't happen to have the figure. It will obviously be much smaller with this greatly reduced program.

The CHAIRMAN. Would it be somewhere in the neighborhood of 20,000?

Mr. BLANDFORD. Workers on the project? I would think by no means any such figure.

Senator KILGORE. Fifteen thousand?

Mr. BLANDFORD. Colonel Starr can answer that question.

Mr. FULTON. That would depend, Colonel Starr, on how soon you wanted it built.

Colonel STARR. Surely.

Mr. FULTON. If you build it over a long enough period of time, you could get it down to fewer. However, if you tried to build it quickly, and especially before winter or frost conditions, it would require a very large number of workers, would it not?

Colonel STARR. It wouldn't equal that figure, though. Our rough discussion of it this morning would indicate much less than that.

The CHAIRMAN. What gave me the idea of that figure was the experience we had with camp construction. They ran all the way from 27,000 to 44,000 in the construction of these camps, but of course they were in a hurry to build those camps. But that peak load would come just about the time the peak load at the Willow Run plant would be in effect, would it not?

Colonel STARR. No, sir. Our original program contemplated the peak construction activity would be reached about the end of December.

The CHAIRMAN. When will the Willow Run peak be reached?

Colonel STARR. About July 1 of next year.

The CHAIRMAN. How many men are they employing at Willow Run now?

Colonel STARR. About 60,000, if I remember rightly.

Mr. FULTON. The Ford Co. gave us the figure of 60,000 expected at the end of December. Have you had a more recent figure than that?

Colonel STARR. Their original figure called for the peak to be reached July 1 of '43.

Mr. FULTON. But I was talking about actual figures of employees according to their most recent estimate. What do they expect to have there by the end of this year?

Colonel STARR. About 60,000, if I remember correctly.

Mr. FULTON. And isn't that the figure Mr. Blandford gave as the present expected peak, although it might not be the total amount which ultimately would be used?

Colonel STARR. If I understand you correctly, that was the understanding, that the peak would be on July 1, with sixty-odd thousand on January 1.

The CHAIRMAN. I understand 60,000 now is the peak<sup>9</sup> load. That 60,000 is all they are going to use, and if they are going to have 60,000 in December they will have the peak load at that time, so what I am getting at is that you are going to have to transport the peak load and you are going to have to transport your construction load, and they are all going to be there at the same time, so unless your housing project were finished at the time the peak load is reached, you are going to have a transportation problem that is going to be increased by the very fact that you are doing this construction at this time.

Mr. BLANDFORD. It is a problem and it is the kind of problem we face any place, Mr. Chairman. It is perhaps an added reason why we need to move very rapidly.

Mr. FULTON. Have you made charts or formulated statistics showing what that problem is—that is, how many men you are going to have at what time in construction?

Colonel STARR. Our peak construction was based on our original program, you understand.

Mr. FULTON. I understand you have no such charts as to that. Have you any for the present program?

Colonel STARR. No.

Mr. FULTON. Don't you think you would have to have that before you can really determine whether to go ahead with the present program in its present state? Until you have got that, you will not know exactly what the transportation problem is.

Mr. EMMERICH. We are preparing such studies, Mr. Fulton, at the present time. In any event, when you have to supply the housing, you have a load of construction workers at some time, regardless of when you have them or where you have them, if the housing is needed.

Mr. FULTON. Why wasn't that done before you determined what housing would be needed? Isn't that an essential element?

Mr. EMMERICH. We have a rough approximation but we haven't got a chart. We know about how many workers it takes by various methods of construction. For example, our experience to date has been that a normal construction period of 6 months requires an average of one man per day during that period, going from approximately one man per house per day to a peak load of three men during the highest load of construction employment. We have got data regarding it. We haven't charted it with reference to time on this particular project but we will be doing that.

Mr. FULTON. Have you taken up with the Office of Defense Transportation the transportation of those construction workers?

Mr. EMMERICH. No; we have not.

Mr. FULTON. The theory on which you build the housing at Willow Run is to avoid transportation, as I understand it.

Mr. BLANDFORD. To reduce the transportation load, to reduce the cost to the worker, and to reduce the time of the workers required to travel insofar as we possibly can. I should like to ask that there be inserted in the record materials which I shall furnish relative to the whole problem of transporting construction workers.<sup>1</sup>

The CHAIRMAN. Did the Housing Authority ever come to any conclusion on the Currier case?<sup>2</sup>

Mr. BLANDFORD. I have asked Mr. Emmerich, anticipating that that might come up, if he would review it. I had nothing to do with it, and neither did he.

The CHAIRMAN. I understand, but I want to know if you ever came to a conclusion because if that conclusion had been reached by the proper authorities and some of the houses built, some of your problem would have been solved by now. You are not in any way connected with that, but I was interested in whether any decision had ever been reached by the Housing Authority on the Currier case.

Mr. BLANDFORD. I think that lapse of time did something to that case.

The CHAIRMAN. It just died of its own weight, I guess.

Mr. FULTON. Mr. Emmerich, on that case, as I understand it, Mr. Carmody and Mr. Fleming did not decide the case, so that at the time Mr. Blandford came in, some 7 months had elapsed, had they not?

Mr. EMMERICH. Yes, sir; that is correct.

<sup>1</sup> See letter, dated July 29, 1942, from Herbert Emmerich, Commissioner N. H. A., to Senator Truman, appendix, p. 5413.

<sup>2</sup> In this connection see Hearings, Part 8.



Mr. FULTON. And, consequently, Mr. Blandford at that time was in no position to act on it because the bid was so out of date that he couldn't get the contractor even to consider carrying on.

Mr. EMMERICH. That is correct, sir.

Mr. FULTON. Have you any explanation as to why 7 months were allowed to elapse before a case of that importance, in an area which we now find so in need of housing, was decided?

Mr. EMMERICH. I can only say, sir, that the design of housing projects and their location has been entirely dependent on this program. We have not been in position to let any contracts until this programming was established.

Mr. FULTON. Do you mean that at the time they asked for bids on the Currier case they didn't know that people were going to work in the Willow Run bomber plant?

Mr. EMMERICH. No; they knew, but it is quite evident from the testimony here this morning that the estimates for employment have been changing.

Mr. FULTON. But not to the extent of indicating for one minute that you wouldn't need at least 300 houses.

Mr. EMMERICH. No; I wouldn't contend that sir.

Mr. FULTON. No one has ever contended that.

Mr. EMMERICH. No, sir.

Mr. FULTON. And this present housing, if built, would be more expensive and less satisfactory, would it not, than the type of house Mr. Currier bid on?

Mr. EMMERICH. It would certainly be more expensive.

Mr. FULTON. And less satisfactory?

Mr. EMMERICH. I think the specifications are in some cases lower.

Mr. FULTON. In most respects, are they not?

Mr. EMMERICH. In most respects. It undoubtedly was a much cheaper bid for a better product than we can get today.

Mr. FULTON. What explanation is there for allowing that to lapse during those 7 months despite the fact that the committee wrote letters and requested that the thing be given consideration?

Senator KILGORE. Mr. Fulton, I am wondering if there was a shortage of asbestos gloves in the office.

Mr. EMMERICH. I don't know that I am prepared to answer that question, Mr. Fulton. I know that the whole scheme for housing at Wayne and Inkster was being redesigned when I came into this picture, and we checked in with the Currier people. Their bid was no longer in effect when we checked in with them.

Mr. FULTON. You couldn't expect it to be after you let it lapse for 7 months, during which time wages and materials had risen.

Mr. EMMERICH. That is correct.

Mr. FULTON. But why was it allowed to lapse for 7 months?

Mr. EMMERICH. I think the original bid was received in the fall of 1941, and I could answer as to that.

Mr. FULTON. But you know of no time at all during any of that period when there was ever any question but that you needed some more housing at least to the extent of 300 units in the area of the Willow Run plant?

Mr. EMMERICH. I think that would be safely assumed. I couldn't deny that.

Mr. FULTON. If you should find any explanation for the loss of that housing, the committee would appreciate receiving it—any explanation other than the fact that Mr. Hillman's intuition told him there might be labor trouble.

Mr. EMMERICH. We will be glad to supply that.

Mr. FULTON. But you know of no other thing at the present time?

Mr. EMMERICH. I do not.

Mr. FULTON. With respect to this limited access highway, Mr. Blandford, I understand they are building a highway between the southwest section of Detroit and the Bomber Plant. Do you understand that to be the case?

Mr. BLANDFORD. Yes; in a general way. I am not familiar with the details of the route or its exact stage of progress. Our staff in the field, of course, are.

Mr. FULTON. What is the purpose of building such a highway if we don't expect to transport workers by bus over it?

Mr. BLANDFORD. I assume that the highway was projected at a time when we were more optimistic about the availability of rubber and motor transport—perhaps long before Pearl Harbor, as a matter of fact. I don't know the history of the project.

Mr. FULTON. You mean that it is now, as I understand it, being currently built—built this summer?

Mr. BLANDFORD. I understand that they are planning to complete it.

Mr. FULTON. You mean, then, that a project of that size and magnitude is being carried on despite a finding that it cannot be of use?

Mr. BLANDFORD. Well, I hesitate to comment on the merits of the project or the wisdom of continuing it. I think that is the responsibility of some other agency. If and when it is completed, it is merely another method of access to that general area. There are two other large direct routes out there, as I recall, but that brings you back to the basic question of the availability of bus transport, regardless of by which route it arrives there.

Mr. FULTON. I noted that you said it would take in some instances 3 hours. I believe you said the average would be 3 hours to transport workers by bus, did you not?

Mr. BLANDFORD. I think the statement used the figure of more than 3 hours from Detroit.

Mr. FULTON. Going and coming, and an hour and a half each way. Is that what you mean?

Mr. BLANDFORD. About an hour and a half each way. That would be on the assumption that the typical worker would have to ride some distance by bus or trolley within Detroit before he reached a bus terminal.

Mr. FULTON. Considering the distance of this limited access high-speed highway that is being built to the southwestern area of suburban Detroit, particularly Lincoln Park, Melvindale, and other subsections of the suburban area, have you computed the time that it would be necessary to take to get a bus to and from that area?

Mr. BLANDFORD. Not by that particular route; no.

Mr. FULTON. Would it substantially exceed the time that it would take you to get to Inkster over the existing non-high-speed highway?

Mr. BLANDFORD. I would assume so. Do you have any knowledge of that [to Mr. Divers]?

Mr. FULTON. Do you have, Mr. Divers?

Mr. DIVERS. I don't know, except that the non-high-speed highway to which you refer is a pretty good highway.

Mr. FULTON. It is one of the best in the State.

Mr. DIVERS. That is right; yes.

Mr. FULTON. But it is nevertheless one with numerous points of egress and ingress, is it not? It is not one with limited access?

Mr. DIVERS. That is right.

Mr. FULTON. Whereas the other one is how many miles farther, would you say, to Inkster?

Mr. DIVERS. I wouldn't guess. What would it be [to Colonel Starr]?

Colonel STARR. The limited-access highway goes south of Wayne. You would have to go some distance from the highway up to Wayne.

Mr. FULTON. To Lincoln Park?

Colonel STARR. I would guess 2 or 3 miles. That is just a rough guess.

Mr. FULTON. In other words, the Lincoln Park area is not much farther from the point of view of transportation and perhaps isn't as far in point of time as the Inkster area.

Colonel STARR. From the plant?

Mr. FULTON. From the plant.

Colonel STARR. Why, yes, sir; it is farther, and it would take longer, as I understand it.

Mr. FULTON. I thought you said it was 3 or 4 miles farther.

Colonel STARR. That the present road from Wayne to Allen Park is practically the same as via the existing highway.

Mr. FULTON. Well, Colonel Starr, this is my question. How many miles farther is it to get into the Lincoln Park area by way of the new highway than it is to get to the Inkster area?

Colonel STARR. Oh, 5 or 6 miles.

Mr. FULTON. And how many miles is the total route?

Colonel STARR. Twenty.

Mr. FULTON. Twenty to Lincoln Park and about 14 or 15 to Inkster?

Colonel STARR. Yes.

Mr. FULTON. How much longer do you think it would take to do that 20 miles on a limited access high-speed highway as distinct from the existing highways, to go to Inkster? What would be the difference in bus time as you compute it?

Colonel STARR. It would be some less, but it is not all limited access highway from the plant to Allen Park.

Mr. FULTON. Is there any substantial advantage, really substantial advantage, of Inkster over the Lincoln Park and Melvindale areas of southwestern Detroit from the time and bus standpoint?

Colonel STARR. I would say there was a distinct advantage.

Mr. FULTON. Have you computed it?

Colonel STARR. Not specifically, but knowing the relation of those three points—

Mr. FULTON. How did you determine to put the housing all in Wayne and Inkster and none of it in the Lincoln Park, Melvindale, and, I think, Garden City areas?

Colonel STARR. Wayne and Inkster were existing towns on the railroad.

Mr. FULTON. The railroad?

Colonel STARR. Yes. Fundamentally that was an important pattern, rather than jumping down to Allen Park by highway.

Mr. FULTON. Why would that have importance unless you were going to use railroad transportation?

Colonel STARR. That was the reason.

Mr. FULTON. And are you now expecting to use railroad transportation?

Colonel STARR. If necessary.

Mr. FULTON. And what do you mean by "if necessary"?

Colonel STARR. If there isn't any rubber.

Mr. FULTON. Have you any present plans for using railroad transportation to Wayne and Inkster?

Colonel STARR. The present plan is what it was at the beginning, that the O. D. T. said they would arrange for railroad transportation to Wayne, if and when necessary.

Mr. FULTON. But the peculiar part of that is that the Office of Defense Transportation, in answer to our inquiry as to what their position is on transportation, believe that they should provide bus instead of railroad transportation.

Colonel STARR. It is peculiar, but we have letters to the contrary.

Mr. BLANDFORD. Who signed that letter, Mr. Fulton?

Mr. FULTON. Guy A. Richardson, Division of Local Transport.

Mr. BLANDFORD. Our letter is signed by Mr. Eastman.

Mr. FULTON. Would you show me that letter?

The CHAIRMAN. Let's put both those letters in the record.

(The letters referred to were marked "Exhibits Nos. 540 and 541" and are included in the appendix on pp. 5379 and 5380.)

Mr. DIVERS. I think I might clarify that a little bit, Mr. Fulton. At the time that the site selection was undertaken for the former program, decision was made to go to Wayne and Inkster for two reasons. In the first place, the water line had been approved out as far as Wayne. The President had approved it as a W. P. A. project, which meant that we felt reasonably assured that there would be water available at Wayne and Inkster, whereas we were advised by the Detroit Water Board that the supply of water in the down-river communities, in Lincoln Park and Allen Park, was quite limited, and they felt that with the amount of private housing that was being built in those communities, the available supply would be exhausted unless an additional water-supply main down there was undertaken.

Mr. FULTON. You have that additional water supply for either one of them, haven't you?

Mr. DIVERS. Well, we were in the position where the President had already approved it.

Mr. FULTON. The President?

Mr. DIVERS. The President had approved the water line.

Mr. FULTON. Has the War Production Board yet approved that, even today?

Mr. DIVERS. I don't believe that they have.

Mr. FULTON. How did the President come to approve it?

Mr. DIVERS. The President approved it as a W. P. A. project.

Mr. FULTON. And as one which would be built or which should be referred to the War Production Board to determine whether priorities could be allocated for it.



Mr. DIVERS. As one to which the funds were set aside, and one of the things that would have to be done would be the application for priorities to the War Production Board. But at least that line was further advanced than any general supply line down to these down-river communities.

Senator KILGORE. Was that line to be of steel or cypress?

Mr. FULTON. Steel.

Senator KILGORE. Was it to be a steel line or a cypress [wooden] line?

Mr. DIVERS. I think it was to be steel.

Colonel STARR. Yes.

Mr. FULTON. I am informed by the War Production Board that it was to be a 48-inch steel main of a type similar to that used in the production of the oil pipe lines, but of a larger diameter.

Mr. DIVERS. We didn't prepare the plans and specifications for it, sir. They were prepared by the W. P. A., and the project, as I indicated before, was approved before the housing agencies started to select sites.

Mr. FULTON. Isn't there a similar water line that is being built on the southwest part of Detroit, anyhow, for the purpose of supplying Grosse Isle?

Mr. DIVERS. Since that time, an additional supply line down to the down-river communities has been approved.

Mr. FULTON. So that you have water at either end, have you not?

Mr. DIVERS. Today, but not at the time when the original site selections were made.

Mr. FULTON. You had at the time of the original site selection, one reason being the water pipe line, and the other reason being the railroad situation, both of which have now been eliminated by the fact that you are going to build the pipe line and that you are not going to use the railroad.

Mr. DIVERS. We might still need the railroad.

Mr. FULTON. How are you going to build that railroad? You would have to put up, as I believe you informed me, another track, and you would have to extend the side ballast of the railroad tracks.

Mr. DIVERS. At the time the site selection was undertaken, Colonel Starr and I went to see Mr. Richardson, who wrote the letter to which you referred, and at that time we had under consideration alternate sites for the housing. Mr. Richardson's advice to us at that time was that apparently no rubber would be available until after the war for civilian uses. They weren't sure whether rubber would be available even for bus transportation to defense plants. He suggested that, as a matter of precaution, the best thing to do was to locate the housing within walking distance of the railroad which was serving the plant, because even though the New York Central was unwilling to undertake commuter service at the present time, he felt that if and when it became necessary, the Office of Defense Transportation would be able to convince them that it was desirable.

Mr. FULTON. They told me that they didn't have any cars—I mean the Office of Defense Transportation—unless they took them off branch lines.

Mr. DIVERS. That is correct. That is what they told us, too.

Mr. FULTON. Or unless they built them, and that they haven't made any determination to do either of those things, because they feel that the bus lines can take care of it.

Mr. DIVERS. At the time that we talked to them, they indicated it might be necessary to take off competing lines from different railroads and to use that equipment. He didn't know where they would get the equipment, as a matter of fact, but he said that if it became necessary to find the equipment and to provide commuter service in order to keep that plant operating, he felt that a way would be found to do it.

The CHAIRMAN. Senator Kilgore?

Senator KILGORE. I have some questions here. Part of them, of course, are water over the dam, but I think they have a bearing on the future, and some of them are on this plant.

When you reach your peak load there, is it designed that these employees will come from what you might call the Willow Run vicinity—I mean by that, Detroit and these surrounding communities—or are they migrants coming in a defense migration?

Mr. DIVERS. It will be a combination of both, sir.

Senator KILGORE. About what percentage? Has anybody ever studied that?

Mr. DIVERS. Yes, sir; we have studied it, but we don't know what the answer is. There will be an in-migration into the Detroit metropolitan area on the whole of around 75,000 war workers.

Senator KILGORE. In other words, most of the plants up there are working full time anyway, and the big bulk of the Detroit area people are working, aren't they, and have been for some time? Isn't that a fact?

Mr. DIVERS. Yes, sir. They expect that the local labor supply will be exhausted within the next couple of months.

Senator KILGORE. As a matter of fact, they are working on at Willow Run a whole lot of migrant workers right now.

Mr. DIVERS. Yes, sir.

Senator KILGORE. When I was up there I saw a line 2 miles long, and most of them looked like migrant workers. They appeared not to be from that vicinity. There is not sufficient housing to take care of these migrants in the Detroit area, is there?

Mr. DIVERS. There is sufficient housing to take care of a good part of the single workers, and even the two-person families might be able to find either rooms or possibly some light housekeeping accommodations which are made available through conversions, additions, and things of that kind, but there isn't housing for families of three or more persons, particularly families with children.

Senator KILGORE. Then the main purpose of this housing project is to cut transportation, isn't that about right, to reduce the transportation miles for plant workers?

Mr. DIVERS. Well, we would have to build the housing anyway some place for the Detroit metropolitan area, and it is a question of whether, in locating that housing, which has to be built anyway, we could reduce the transportation problem at the same time.

Senator KILGORE. Isn't it also a fact that the major portion of these workers even in the Detroit area are trained in this plant for their work? In other words, isn't it a fact that they are not especially

skilled, except the leaders and foremen for the work and that they are trained on the job to do a specific small part of the construction?

Mr. DIVERS. That is right.

Senator KILGORE. Then was there any reason why we had to put a plant like this in such a congested area for labor and cause such a tremendous defense migration? Was there any particular reason there?

Mr. DIVERS. No, sir.

Senator KILGORE. I know you didn't do it. I am just getting at this as water over the dam, looking at this Plant Site Board as to what they make mistakes on.

Mr. DIVERS. No, sir; I don't.

Senator KILGORE. In other words, it could have been located elsewhere in the United States and possibly have saved some of this congestion, is that not right?

Mr. DIVERS. And we would have found it there when we looked into the housing problem, yes, sir.

Senator KILGORE. Now, looking over these schedules, the one of April 24 for taking care of 47,000 workers, checking that, it appears that for each worker housed, if we just set a house on the ground with no utilities and no service, we will have a capital investment of \$2,308.50 under that first plan: and under the adjusted plan for changes, contemplating only 60,000 workers, we will have an individual worker capital investment for housing of \$1,888.88—not counting utilities, not counting service, not counting anything of the extras, but just setting houses on the ground.

There is no question but that this is defense housing, is there? In other words, it is to take care of this program?

Mr. DIVERS. That is right.

Senator KILGORE. If you divide just that amount, without interest or anything else, on the first plan you are getting \$461.70 a year in there, and on the second one, \$377.77 a year capital investment per worker. Wouldn't it be cheaper to pay some transportation, to subsidize some transportation and get away from this housing cost? You spoke of the cost of transportation of these workers being excessive.

Mr. DIVERS. That is right.

Senator KILGORE. And I grant you it would be if it runs \$1.50 or \$1.75 a day.

Mr. BLANDFORD. At \$1 a day, the transportation cost from Detroit is \$300 per worker per year, which in itself is a substantial part of the \$377.77 you mention. Besides, housing would need to be built somewhere even if not at the plant. Besides, Senator, there is no statutory provision for any such approach to the problem as paying transportation costs.

Senator KILGORE. I grant you there isn't. I am just trying to get a slant that there might possibly be a statutory approach arranged for.

Mr. BLANDFORD. And secondly, you still face the problem and the possibility that you might not have rubber or some alternative method of transport.

Senator KILGORE. You have rail in there now.

Mr. BLANDFORD. The rail is the last resort. It is, by common agreement, the least likely and most speculative partial solution. The



main-line railroad there might in time be used in some fashion for commuter traffic.

Mr. DIVERS. Senator, that also assumes that these people would have some place to live in Detroit or wherever they would commute from.

Mr. BLANDFORD. You still have to have the houses. For families, in particular, there is hardly more room in Detroit proper, with the vacancy ratio 0.6 percent, than in the whole area, with the vacancy ratio 0.4 percent.

Senator KILGORE. You still have the defense migration problem.

The CHAIRMAN. Isn't it a fact that Ford is putting these people to work at the Willow Run plant in the order in which they were laid off from his other plants when he shut down and quit making automobiles?

Mr. DIVERS. That I couldn't answer, sir.

The CHAIRMAN. That is what Mr. Sorensen told me.

Mr. DIVERS. I think there was something in the newspapers out there which indicated to the contrary.

Senator KILGORE. Of course, if they come from the Detroit area, there must be housing for them in the Detroit area, because they certainly haven't been sleeping in the streets in the past.

Mr. BLANDFORD. We finally get back, regardless of that shifting, Senator, to a firm, conservative figure of 75,000 migrants. This is not our figure. It is the War Production Board, War Manpower figure. Then, sheer experience indicates that a certain percentage of these workers are workers with families, and we have to provide some housing for them. Regardless of the shifts that may take place from one plant to another, there is a net need for new housing, and here you have an opportunity to locate it with most consideration for critical materials, efficiency, productiveness of the workers, and cost of transportation of the workers.

Senator KILGORE. But in a lot of these workers, for instance in the case of 5,625, we have \$1,100 a year housing cost there, not including utilities—a capital investment based on a 5-year program, if it lasts that long.

Mr. BLANDFORD. This war is expensive, sir.

Senator KILGORE. I know it is.

Mr. BLANDFORD. We just have a \$40,000,000,000—

Senator KILGORE (interposing): On the other hand, we talk of bringing construction workers in in trailers and we speak of rubber. For every construction worker we bring in a trailer, there are seven more tires being used—five on the car and two on the trailer. There is another thing I am getting at. I noticed in Norfolk recently these Farm Security Agency trailers. Wouldn't it be possible to build a demountable house like one of those trailers—not a trailer—and use the community bathroom, bath and toilet facilities similar to what the Farm Security have put up, to take care of your housing program and save a tremendous lot of utility charges and a tremendous cost of building? I noticed families living in those trailers in the Norfolk area, perfectly contented, which were being leased to them by the Farm Security. I don't approve of the building of more trailers, but I am wondering if a structure similar to that, shipped in by freight and set up on the ground, couldn't be used to save tremendous expense on this thing in building those five- and six-room houses.



Mr. DIVERS. That is a possibility which the Federal Public Housing Authority has been studying. Of course, once more it comes to the question of how far we have to go.

Senator KILGORE. All right, that is all.

The CHAIRMAN. Senator Brewster.

Senator BREWSTER. Have you determined the site of the 2,500 dwelling units, where you plan to put it?

Mr. BLANDFORD. May I ask Mr. Emmerich, who is responsible for that, to answer that question?

Mr. EMMERICH. Senator, the sites that we are considering and on which we are planning to put these units—there are 4,500 houses contemplated for public construction in this program, and 2,500 we are planning to put in the site nearest the plant.

Senator BREWSTER. How far?

Mr. EMMERICH. I should say the center of the site is about 2 miles from the plant. Some of it would be closer, and some of it would be farther.

Senator BREWSTER. How do you designate that?

Mr. EMMERICH. That is directly north, between the plant and Ypsilanti, north of the Michigan Railroad tracks. The other 2,000 houses are scheduled to be built in the Wayne-Inkster area, which is some 8 or 9 miles from the plant.

Senator BREWSTER. Those are private or public?

Mr. EMMERICH. These are all publicly financed houses. The dormitory apartments are also proposed to be built within the 2-mile area near the plant.

Senator BREWSTER. That 2-mile area is considered walking distance?

Mr. EMMERICH. Yes, sir.

Senator BREWSTER. Now, Mr. Blandford, about the problem here, I note by the figures that to put these people in family units instead of dormitories means a difference of \$13,000,000 on just this item alone; that is, if you built dormitory units to take care of individual men, the difference, according to your figure, would be \$13,000,000 in the amount which it is costing us to build houses for them.

Mr. BLANDFORD. Senator, would the difference be that much on our present program?

The CHAIRMAN. That is the original program.

Mr. BLANDFORD. I think the difference would be only about \$20,000,000. Is that right?

Mr. FULTON. It would be less than that. I think, Mr. Blandford.

The CHAIRMAN. A little less on the second program.

Senator BREWSTER. I am figuring on the second program, your total is—

The CHAIRMAN (interposing). \$29,000,000.

Senator BREWSTER. Oh, I see.

The CHAIRMAN. You figured that in as part of the total, but that is the total.

Senator BREWSTER. What is on this schedule here, No. 4, the \$5,625 you have down twice.

Mr. DIVERS. One of those is public, and the other is private.

Mr. BLANDFORD. \$29,000,000 is the total of the public. That is not too clear. There ought to be a line between there.

Senator BREWSTER. That is what fooled me. I thought the second one was \$5,625.

Mr. FULTON. I think, Senator Brewster, it would be \$19,150,000. Senator BREWSTER. The difference?

Mr. FULTON. Yes, sir.

The CHAIRMAN. It is just as great in proportion.

Senator BREWSTER. That \$19,000,000 represents the cost of giving them family housing. Waiving the question of the money, which doesn't seem to be so much a matter of concern now except to some individuals, but looking at it just from the standpoint of materials and men, what is that in these projects, about 50 percent material and about 50 percent labor?

Mr. BLANDFORD. I think that would be a fair approximation, sir.

Senator BREWSTER. That means that there is \$10,000,000 worth of materials and \$10,000,000 worth of labor that is going to be used in the next few critical months to give people a family dwelling. Is that right?

Mr. BLANDFORD. Yes.

Senator BREWSTER. In this project?

Mr. BLANDFORD. In this project.

Senator BREWSTER. How many are you planning in the country now in the next year? What does your program contemplate for provision of housing?

Mr. BLANDFORD. The program that we recently presented to the Congress to meet fiscal 1943 needs totaled \$600,000,000, and included 100,000 dormitory units, 75,000 dormitory apartments, and 85,000 family dwelling units. When that program is approved and appropriated for, it will be on top of a program currently under way for use in fiscal 1943 which includes 120,000 public family dwelling houses. Is that correct [to Mr. Keyserling]?

Mr. KEYSERLING.<sup>1</sup> Yes; that is correct.

Mr. BLANDFORD. And some 270,000 privately constructed family dwelling units will also serve the fiscal 1943 need.

Senator BREWSTER. 120,000 of what type?

Mr. BLANDFORD. Public. That is the figure, sir.

Senator BREWSTER. Are those that you speak of as already authorized under way or still in process?

Mr. BLANDFORD. In various stages. They are all programmed, in various stages of site selection, letting of contracts, and construction.

Senator BREWSTER. Taking the 85,000 family dwelling units at a difference in cost of approximately \$4,000 between the dormitory type and the family dwelling type—

Mr. BLANDFORD (interposing). Senator, the difference on the average throughout the country wouldn't be quite that much. Detroit, of course, is higher.

Senator BREWSTER. What would you say?

Mr. BLANDFORD. About \$3,000 or \$3,500.

Senator BREWSTER. That would mean a difference of around \$250,000,000 as between the two types of 85,000 family dwelling units. I am figuring \$3,000 times 85,000. Would that be right?

Mr. BLANDFORD. I assume that figure would be correct. However, as an investment matter, the family units, especially the permanent

<sup>1</sup> Leon Keyserling, General Counsel, National Housing Agency.

ones, will return more to the Government in rents than any other type of housing. From the money viewpoint, they cost the Government least.

Senator BREWSTER. Again disregarding the matter of money, the \$250,000,000, looking simply at the matter of materials and labor, that means \$125,000,000 worth of materials of considerable importance and \$125,000.00 worth of labor. Approximately how long does it take a man on one of these jobs, building 50 or 60 days, when you really get going?

Mr. BLANDFORD. About 4 months, sir.

Senator BREWSTER. And they get an average of around \$1 an hour, I suppose?

Mr. BLANDFORD. Yes; I think so.

Senator BREWSTER. Or better. I had the \$19,000,000 figured on a basis of 70 days, that it would occupy 160,000 men for 70 days to do that Ford project alone. Do you have any figures on anything like that?

Mr. BLANDFORD. No, sir; I haven't.

Mr. FULTON. Senator. I think that includes work not only on the site but work in preparing materials. As you say, half and half, but I think he meant half labor all the way through, not just on the actual site, so that some of that labor would be in factories and other places.

Senator BREWSTER. That is all right. The result is, however, that it occupies 160,000 men for 2 to 3 months at various stages.

Mr. DIVERS. I think that there must be one too many zeros in there. I think it is lots closer to 15,000. Isn't that right, Mr. Fulton?

Mr. FULTON. It would depend on whether you are including all the labor. I don't know how the figure is reached.

Mr. DIVERS. Figuring a man per day to the dwelling unit, roughly.

Mr. FULTON. For more than just building, because you have to make nails, for example, in the steel mills.

The CHAIRMAN. Those figures can be corrected. Let's not argue about the figures. Let's get at what you are trying to get at, Senator. We can correct the record so that it will be correct.

Senator BREWSTER. The way I estimated it was to take a 10-hour day. I figured a 10-hour day at an average of \$1 an hour, which is certainly probably conservative. But on the \$250,000,000—let us take that figure—approximately what this would cost if we authorized this program, half of that being for labor, \$125,000,000, we can agree that at any rate it takes an enormous amount of material and of manpower to do this job.

Mr. BLANDFORD. Just like any other sector of the war front; that is right. But for the whole country, these figures are very reasonable. We have estimated that the critical material requirements for the whole new \$600,000,000 war-housing job will range for various materials, from two one-hundredths of 1 percent to six-tenths of 1 percent of the total annual supply (excluding stock piles).

Senator BREWSTER. The point which I am coming to is, is it essential in this crisis to make that sacrifice during this next year to maintain the morale? Isn't that the fundamental problem?

Mr. BLANDFORD. I think you are raising the fundamental question of whether or not we should provide family dwelling units.



Senator BREWSTER. That is right.

Mr. BLANDFORD. There is a suggestion heard sometimes: The soldiers live in barracks. Why can't the workers live in barracks?

Senator BREWSTER. I am glad to have you say that. I didn't want to say it.

The CHAIRMAN. Let me interrupt you there just a minute, Mr. Blandford. Isn't it also true that right at the present time in the whole Middle West all construction of every sort has been stopped because the Army and the Navy have requisitioned all the materials and you can't get them for private construction, even for your own construction?

Mr. BLANDFORD. It has been slowed up. That is a temporary condition, and we expect to resume construction, but we do not agree with—

Senator BREWSTER (interposing). Let me make it a little more emphatic. You said "living in barracks." I spent a little time in Alaska this last year, and I saw American soldiers living in tents because they couldn't get any barracks. Those are conditions under which the boys are carrying on.

Mr. BLANDFORD. They have a unique transportation problem to Alaska which we don't have here, of course. We don't think that that suggestion, which is only occasionally made—

Senator BREWSTER (interposing). I thank you.

Mr. BLANDFORD. And not by those who have had intimate contact with the problem of production and housing, is sound. In the first place, it disregards the fact that to date our selective service soldiers have been single men without families, preponderantly. We are talking about production workers here, with families to support and with the inability to support two homes in many cases. But aside from abstract debate or different philosophies about what our workers should have, we are relying on a number of what we consider valid judgments—experiences. In the first place, plant managers almost without exception insist on a proportion of family dwelling units. We inserted in the record in our House hearings on the \$600,000,000 authorization bill, a considerable number of telegrams from such plant managers, saying that they could not get their workers or they could not hold their workers unless an adequate proportion of family dwelling units were provided. There are also those who tell us that from their experience in the first World War, dormitories were not the solution to the problem. Correspondingly, from individual Army and Navy operators in the field, with responsibility for production, we get identical reactions.

There must be a proportion of family dwelling units. Obviously, and understandably, labor has strongly urged a sufficient number of family dwelling units. The war housing policy, which the War Production Board joined the National Housing Agency in framing, provides definitely for family dwelling units. The War Manpower Commission, in a recent meeting approved a recommendation of its Management-Labor Policy Committee which provided as follows:

Productive efficiency is best served if workers are able to lead normal family lives. Thus, every effort should be devoted to providing housing of such a character that will permit families to be kept together. To the extent that the



scarcity of materials makes it necessary to reduce the amount of material expended for worker housing, it is agreed that this reduction will be met by reducing the amount of facilities provided per family unit rather than by housing workers without their families.

Finally, the House committee itself—the Committee on Public Buildings and Grounds—in its report on this bill, which has been referred to, states that—

The committee is firmly convinced—

and this is a committee that had extensive hearings on that subject—of the need for this minimum number of family units, particularly in view of the emphasis upon the drafting of single men first, and in view of strong statements in the hearings from plant managers all over the country that without family accommodations they can neither obtain nor hold an adequate working force.

In other words, regardless of philosophy or judgment, the realities of the situation are that those in contact with the problem feel the need for family dwelling units.

Senator BREWSTER. Of course, I think we all developed our state of mind prior to Pearl Harbor, and I think we were all in general accord with this program and were all working in that direction. It has seemed to me that possibly we are somewhat underestimating the patriotism of American workers if they realize the crisis of which we are constantly told, that we have got to take millions of man-hours and millions of dollars' worth of critical materials to give them housing for the next year or two with their wives and families, while American boys are begging for those materials and that manpower to go into the production of war materials, and I would personally feel that if that problem were properly presented, you wouldn't need to worry about the American workingman. I think I know something about them from my own association and from having been one of them for a period, and I don't believe you would need to have any difficulty if the men knew that it was necessary for the next year or two for them perhaps to go home for the week-end instead of spending every night in the week with their families. That is a mere matter of opinion.

Mr. BLANDFORD. Senator, all the quotations that I gave you, all the expressions of opinion, all of the policy statements from the War Production Board, War Manpower Committee, and the House committee, are, of course, since Pearl Harbor. Labor, of course, is in a position to speak for itself. I certainly am sure you don't question its patriotism.

Senator BREWSTER. I thought you were the one who was questioning it—not I. I said you were underestimating the patriotism of American workingmen.

Mr. BLANDFORD. I am merely quoting their position as reflected in the War Manpower Commission's management-labor policy committee, and their position as expressed in hearings from time to time, as well as the opinions of plant managers with respect to family dwelling units. We came up against an understandable reaction on the part of the worker. He has seen a period when we built great plants like this splendid plant at this location, built for continuous, permanent operation, with all of the refinements possible in the interest of efficiency of production, and perhaps with generous use of critical ma-

terials—historically, at least—and then he has seen the question raised as to whether an infinitely smaller amount of critical materials is to be available for housing that worker who is to make that plant produce. I think housing, historically, has been neglected. It got behind the procession some time. When that plant was planned, there should have been consideration of the housing needs related to the site and all the other considerations, and there ought to have been a sufficient conserving or economy of critical materials in that plant to make available this million-dollar water line out to the plant, and to build the housing for the workers who were to have produced the goods.

Senator BREWSTER. You will agree that was all before Pearl Harbor, when the whole picture was changed.

Mr. BLANDFORD. I assume the plan was.

Senator BREWSTER. Of course it was. It was created and built when we were at peace.

Mr. BLANDFORD. I think we currently have—I am sure we are all conscious of it—a responsibility to see that we are conserving materials carefully on all sectors of the war front, that this 1 percent of money and materials that is going into housing workers isn't getting a microscopic examination at the same time that other appropriations, other expenditures, for construction are not treated quite the same. We have questions raised constantly in connection with appropriations about, "Are the materials available for this housing?" I don't think a single such question was raised when the \$40,000,000,000 estimate came over here, which was passed in a few weeks.

The CHAIRMAN. I raised a question.

Senator BREWSTER. I am afraid you didn't read Senator Truman's fight.

The CHAIRMAN. You didn't read the record, I think.

Senator BREWSTER. He very caustically questioned it.

Mr. BLANDFORD. In any event, I think housing ought to get equitable consideration.

Senator BREWSTER. What other field would you suggest as less essential?

Mr. BLANDFORD. I am not suggesting that any is less essential. My only suggestion is that housing, as we are programing it conservatively to meet the needs of migrant war workers, should have the same access to critical materials as the plants which the housing serves.

Senator BREWSTER. You know what we have done on that. We have practically discontinued all plant expansion. We discontinued the Higgins yard. Why? Because of the shortage of critical materials.

Mr. BLANDFORD. Incidentally, that disrupted about 2 months of intensive study of New Orleans housing needs.

Senator BREWSTER. We saw it down there. They were doing the same thing. So I think that everyone is trying to approach this from the new point of view that has come to us since.

Mr. BLANDFORD. I think that is correct, Senator, and the War Production Board today is admittedly more conscious of the importance of housing in the picture. We are getting higher priority ratings. We are getting a lot more consideration today.

Senator BREWSTER. I would appreciate it if you would break down, in this current estimate of 100,000, 75,000, and 85,000, what that will involve in materials and manpower, if you haven't that already. I would appreciate receiving that.

The CHAIRMAN. We will have it made part of the record, Senator.

Senator BREWSTER. That is the new program, just what that involves.

Mr. BLANDFORD. I am quite sure we have that.

The CHAIRMAN. I started to ask you if the War Production Board has yet reached a conclusion on this project. Have they decided?

Mr. BLANDFORD. If so, they have not communicated it to us. I understand not.

The CHAIRMAN. We will hold a hearing on that with them and find out what they are going to do about it.

Mr. George Meader and Henry Riggs. We would like to hear from you for just a few minutes before we go to the Senate. Will you gentlemen be sworn, please? Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth in what you are about to testify before this committee, so help you God?

Mr. MEADER. I do.

Mr. RIGGS. I do.

**TESTIMONY OF GEORGE MEADER, PROSECUTING ATTORNEY,  
WASHTENAW COUNTY, MICH., ANN ARBOR, MICH., AND HENRY  
E. RIGGS, RETIRED PROFESSOR OF CIVIL ENGINEERING AT UNI-  
VERSITY OF MICHIGAN, ANN ARBOR, MICH.**

The CHAIRMAN. Will you gentlemen be good enough to give your names and connections to the reporter, please? I am going to make a request before you do that, to be as brief as possible, for we have your brief and statement on this matter before us here, and the Senate is having a very difficult time in getting a quorum. We are going to have to adjourn as quickly as possible, so if you will be brief, I will appreciate it.

Mr. MEADER. I have a short prepared statement which I will be glad to furnish you.

The CHAIRMAN. We will make that part of the record. We will make your prepared statement a part of the record at this point. Then if you have a brief oral statement that you want to make, we will be glad to hear from you.

(The statement referred to was marked "Exhibit No. 542" and is included in the appendix on p. 5380.)

Mr. MEADER. I might say that Professor Riggs also has a statement.

The CHAIRMAN. We will make your statement, too, Professor, a part of the record if you will give it to the reporter.

(The statement referred to was marked "Exhibit No. 543 and is included in the appendix on p. 5384.)

The CHAIRMAN. I don't believe you gave your connections.

Mr. MEADER. I am prosecuting attorney of Washtenaw County, Mich., representing the county officials and the Board of Supervisors of Washtenaw County, who have taken an interest in this matter



because of the fact that they would be affected by whatever housing is constructed in our county.

Professor Riggs is formerly head of the department of civil engineering at the University of Michigan. He has had very extensive experience as a consulting engineer, in appraisal and evaluation work for railroad companies and public works generally, and he has been very much interested in this housing program since its announcement in early May of this year and he has prepared several studies on it which I think have come before the committee previously in one way or another.

The CHAIRMAN. I think that is true. I am sure that is true.

Mr. MEADER. As far as a brief oral statement, it is mainly to the creation of a new community in our county that we have exhibited concern. It is our belief that that will entail a great deal more effort and a great deal more expense of man-hours and materials than if the housing, whether permanent or temporary, were located at such a place that it would take advantage of existing municipal facilities. In fact, it is our position, as we stated in the brief which we filed with the War Production Board—

The CHAIRMAN (interposing). We have a copy of that brief.

Mr. MEADER. Yes. I just wanted to call attention to what we consider a limitation of authority of the housing agency as set out in the Lanham Act, which provides:

Wherever practicable, utilization shall be made of existing private and public facilities, or such facilities shall be extended, enlarged, or equipped in lieu of constructing new facilities.

And there were one or two matters in connection with that phase of it that I wanted to call attention to. I believe Mr. Starr, in answer to a question as to whether or not the expanded Ypsilanti water system would be available for the temporary structures near the bomber plant, referred to some legal restriction upon the city of Ypsilanti from selling water outside its city limits. Although I haven't personally investigated it, I am informed that that restriction, if any, is merely by city ordinance, and not by State law, and it would take action equivalent to the enactment of an ordinance to grant the right or enter into a contract to sell the water, anyway. My information as to their attitude comes from Mr. Ezra Shoecraft, an engineer in Ann Arbor, who is a member of the firm that Mr. Divers referred to, that made the water study in the Ypsilanti locality.

The CHAIRMAN. Are you familiar enough with the water situation up there to know whether the water table in that vicinity is affected by the level of the Lakes?

Mr. MEADER. I believe Mr. Riggs could tell you a little more about that.

Mr. RIGGS. No. The ground water in our county, from around the edge in the hills to the river, is not in any way affected by the Lakes. May I add right here that the water at the bomber plant that was referred to does not come from the same stratum that the water supply of the city of Ypsilanti comes from. The Ypsilanti wells are from 20 to 40 feet deeper than the wells at the bomber plant.

The CHAIRMAN. So you have two water strata there.

Mr. RIGGS. That is right. At Ypsilanti studies have been recently made by Shoecraft, Drung & McNamee that indicate that an abundant



supply can be secured for 19,000 to 20,000 additional people in the city of Ypsilanti.

The CHAIRMAN. You started to make a statement. I think I interrupted you.

Mr. MEADER. Yes. The additional feature that I think the committee should consider is the confusion that is likely to arise from establishing a community of this size without any adequate governmental control. It is too large a community to be governed by our township system of government, where the powers of the township board are comparatively limited. As a mere example, if a township wants to establish a fire department, it has to get the approval of the voters, and it doesn't have the freedom of action in furnishing what we commonly think of as municipal facilities. It is a much, much less powerful governmental unit than what we ordinarily think of as a city. Under our Michigan statutes, this community could not be incorporated into a city at least for some time to come. I have offered that also in the brief before the War Production Board.

I think that those problems deserve serious consideration, and it seems to us, unless there is some vital reason which we haven't yet heard for concentrating these Federally constructed homes all in one area rather than scattering them, if it is necessary that the Government build permanent housing, they could use existing communities where lots are already serviced with the common facilities of sewerage, water, and in some cases paved streets, curb and gutter, and sidewalks, and access to public utilities such as gas, light, and telephone.

The CHAIRMAN. We thank you very much. We thank you gentlemen very much.

I understand that Mr. Nicholas has a statement that he would like to put in the record at this time, and I understand that Mr. Ed Waite of the Ford Motor Co. wanted to discuss the retread proposition. I want to say to him that I wish he would prepare a statement and get it ready for the next hearing which will be when we call the War Production Board before the committee for a further consideration of this situation. We haven't time now to go into details with these gentlemen. I will allow Mr. Nicholas to put his statement in the record if he has it ready, and he can also return at that time for a further hearing, if he desires, when we meet again on this subject.

(The statement referred to was marked "Exhibit No. 544" and is included in the appendix on p. 5385.)

The CHAIRMAN. I have a letter from the Detroit Board of Commerce; a telegram from the city clerk, city of Dearborn; a memorandum from the National Resources Planning Board; a statement of the Ann Arbor Real Estate Board and others; a letter from Great Lakes Greyhound Lines, Inc., Detroit; a statement by Glenn R. Brayton, chairman of Housing and Transportation Committee of Local Union 50, U. A. W.-C. I. O.; and a letter from the Ford Motor Co., which we will make a part of the record at this point.

(The documents referred to were marked "Exhibits Nos. 545 to 551" and are included in the appendix on pp. 5388-5403.)

The CHAIRMAN. The committee will stand recessed until the Tuesday meeting announced earlier.

(Whereupon, at 12:35 p. m., the committee adjourned until 10:30 a. m., Tuesday, July 28, 1942.)



## APPENDIX

EXHIBIT No. 488

Office of  
Donald M. Nelson  
Chairman

WAR PRODUCTION BOARD,  
Washington, D. C., March 16, 1942.

Honorable HARRY S. TRUMAN,  
*Chairman, Special Committee Investigating the National Defense Program.*

DEAR SENATOR TRUMAN: May I ask your Committee to investigate the charges made in the statements issued to the press yesterday and today by Mr. Robert R. Guthrie who, on Saturday, resigned from this organization.

Mr. Guthrie for sometime past has been head of the Textile, Leather and Clothing Branch which operates in three sections. Recently I learned that personal conflicts had developed between Mr. Guthrie and the members of his staff in the Textile Section. This situation finally reached the point where it was impeding that part of the war production effort. During the period of this conflict Mr. Guthrie, as chief of the branch, had authority to deal with the situation but he failed to do so on his own account and did not bring the difficulties to my attention or request any action on my part until after his resignation.

After reviewing the situation it was decided last week to separate the Textile section from the other two, retaining Mr. Guthrie in charge of Leather and Clothing. For the Textile Section it was proposed to bring in a new man who would be wholly impartial and free from any involvement in the conflicts which had been impeding the work. Mr. Guthrie took the position, however, that this would be unsatisfactory to him and thereupon resigned.

I have, of course, instituted and will continue a careful investigation of these charges. I think, however, that in view of the public importance of this matter it would be well to have an investigation conducted also by an outside agency, and I shall therefore be glad to have your Committee make such an investigation. You may rest assured that in doing so you will have my fullest cooperation.

Yours very truly,

[Signed] DONALD M. NELSON,  
*Chairman.*

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EXHIBIT No. 489

### MEMORANDUM

FEBRUARY 12, 1942.

To: Mr. J. S. Knowlson.  
From: Leon Henderson.  
Subject: Refrigerator Conversion Program.

You have probably been advised that as a result of our meeting on refrigerator conversion last Saturday, a further meeting was held by Mr. Guthrie on Tuesday which Mr. Weiner attended for the Division of Civilian Supply. I understand from the report given me by Mr. Weiner, that it was agreed that March 31 was to be the terminal date for the refrigerator industry except for one selected small company. This terminal date was to be a true terminal date and not merely a date beyond which operation would be under appeal rather than under formal order, since the appeal board was to operate merely as an agency to provide interim military contracts and not to extend refrigerator production. Further the order was to permit operation at a rather high but specified rate such as 150 percent. Finally the selected small plant was to continue refriger-

ator manufacture pending further study of long-term civilian and military refrigeration needs. To make the foregoing effective it was concluded that refrigerator stocks would be frozen.

Yesterday another meeting was held by Mr. Guthrie which Mr. Stein attended for the Division of Civilian Supply. Mr. Stein advises me that a proposal was presented at this conference by Mr. Maury and approved by Mr. Guthrie which is substantially divergent in several important particulars from the earlier policy determination. First, production of refrigerators between now and March 31 will be limited only by plant capacity and balanced material inventory. Production after March 31 will be prohibited as a matter of form but, as was clearly stated, the formal prohibition is without significance since the "most important thing" in the whole order is the appeal provision which permits manufacture at an unspecified rate and for an unspecified period after March 31 at Mr. Guthrie's discretion. Thus the program completely omits the provision of definite termination. The sole guide in passing on appeals is to be "Facilitation of conversion" or some equally general phrase, which, according to the statements made at the meeting, is to depend on allegations by manufacturers that various machine tools will not be received until various dates in the future such as June 30 or that they fear dissipation of their labor force. There is no planned provision for maintaining one small plant in operation pending further study of refrigeration needs. The order is to include a freezing provision.

Second, under this proposal we do not know how many refrigerators will be manufactured either between now and March 31 or thereafter. The companies which violated the spirit if not the letter of inventory restrictions will reap not penalty but advantage, while the companies with smaller and more reasonable inventories get nothing. This precedent is an invitation to all concerns facing severe curtailment to violate the inventory restrictions. Finally, I fail to see that the new order would relieve us from the embarrassment of the situation we were in last week under which an appeal was first granted and then summarily withdrawn. The lack of an over-all policy, which caused such vacillation, still exists.

As I conceive it, a major function of the Division of Civilian Supply is to ascertain and weigh the non-military demand for the various items normally entering into the national economy. In the light of this appraisal the Division formulates programs which will preserve a proper balance in the satisfaction of essential civilian needs and which will simultaneously release a maximum of material, manpower, and facilities to war production. The Division has examined the current situation and finds that production of mechanical refrigerators at a rate of about 150 percent of the present quotas between now and March 31 will provide an adequate stockpile of refrigerators. Any necessary rounding out can be taken care of by operation of a single small plant. Production of mechanical refrigerators above the number to be obtained in this way cannot be justified either in the light of the demands for war production or in the light of the many other civilian products whose production is necessarily curtailed and which are far more important for civilian life.

As I have said above, although Mr. Guthrie's proposed order gives the appearance of conformity with the program that I have outlined it does not conform in fact. The open ended appeals clause and the type of decision which Mr. Guthrie intends to make thereunder are in flat contradiction of our program.

Don't you agree that we will all get along more effectively if the Branches concentrate on procuring materials for industries within authorized limits and on conversion of every possible plant to war production while our people concentrate on the minimum needs of the civilian economy and the number of each type of item that will make the best use of the available scarce materials, man power, and facilities? I should like to see the refrigerator limitation and conversion program worked out with that division of responsibility. Please let me know what you think about this.

[S] LEON.



EXHIBIT No. 491

PHILADELPHIA, PENN., Apr. 14, 1942.

R. R. GUTHRIE,  
Room 335, Senate Office Bldg.,  
Washington, D. C.

(Copy of telegram sent to Senator Truman address. "Body of msg.")

As Chairman of Silk and Rayon Labor Committee WPB have worked with Guthrie several months. Found him developing sound policies in respect to the allocation of needed supplies for the civilian population and the preservation of necessary materials for war purposes. Found him eager to secure advice and knowledge from both industry and labor groups. The policies he was developing were circumscribing certain errors experienced by similar committees and boards in early British war effort. Part of the internal drive to remove Guthrie was inspired by persons essentially antilabor who charged him with a pro-labor bias. Our union was severely disturbed by his resignation from WPB.

ALFRED HOFFMAN,  
First Vice President, American Federation of Hosiery Workers.

EXHIBIT No. 492

WAR PRODUCTION BOARD

WPB 820

[For Immediate Release, Tuesday, April 7, 1942]

Donald M. Nelson, Chairman of the War Production Board, said today that WPB orders already issued or about to be signed provide for the virtual cessation of consumers' durable goods industries using critical metals in the United States and the conversion of their men, plants and facilities to an all-out war effort.

Some production is still being carried on, but within 3 months almost all of it will be stopped except for that production necessary for war and essential civilian purposes. The elimination of less-essential production and the conversion program have already changed the face of American industry and are now harnessing the entire economy to war.

Automobiles, washing machines, refrigerators, radios, lawn-mowers, oil burners, and metal furniture are only a few of the many items which can no longer be produced with critical metals after cut-off dates provided in the various orders.

Illustrating his point, Mr. Nelson announced that two new orders with sweeping effect are in their final stages. One is a construction order which will confine all new construction to relatively small projects and defense work. The other is a new steel limitation order which prohibits the use of iron and steel in hundreds of items.

With his statement, Mr. Nelson issued a list showing many consumers goods which are being cut-off under existing orders.

Mr. Nelson's statement follows:

The War Production Board has issued a series of orders cutting off in the next 3 months the production of hundreds of civilian metal products.

These orders change the face of American industry. They show that the Nation has learned the first lesson of total war—that it means not business as usual, but production for victory.

The most important field of curtailment for war is, of course, the great metal working industry. The climax of this program is the preparation this week of two major orders which, in another phase, are as important to victory as the winning of a major battle. These orders are a stop construction order and a steel conservation order. Their impact here and abroad will be widespread and sweeping.

They mark the suspension of the consumers durable goods metal industry and the civilian construction industry. They make possible the complete conversion of the men, materials, and machine tools formerly devoted to these pursuits to war production.

The steel order, to be issued shortly, will prohibit at an early date the use of iron and steel in hundreds of specifically listed metal products. But it is more than a steel order. It also prohibits the use of specifically listed materials as a substitute. This list of materials includes all of the metals and the scarce plastics.

The construction order will place severe limitations upon new construction of all types, confining it to relatively small projects and defense works.

These two orders mark the high point in the execution of a policy that was initiated with the closure of the gigantic automobile industry in the first days of February.

Since the issuance of the automobile orders, the War Production Board has moved quietly but swiftly for the curtailment of one consumers durable goods industry after another.

Soon there will be no more processing of such articles as electric refrigerators, vacuum cleaners, laundry equipment, radio receivers, vending machines, amusement machines, and a host of electrical appliances.

Other industries producing metal signs, metal windows, metal furniture, metal kitchen and household utensils, metal toys, lawn mowers, domestic oil burners and coal stokers will be equally affected. Even such items as mortician's goods cannot be produced in the metal-working field.

This drastic type of order that results in a complete stoppage of production is a new and important weapon of total war. Those who are old enough to recollect, or who have had occasion to study the subject, know the role which American industry played in winning the last war.

It is worth bearing in mind that during the entire course of the first World War, not a single limitation order was issued which completely prohibited the output of any civilian product.

In August of 1918, or a year and four months after the United States entered the war, an agreement was made between the automobile industry and the War Industries Board to limit the output of the auto industry for the second half of 1918 to a quarter of its normal output.

The next two or three months will be a period of difficult adjustment for the Nation in general and the industrial producers and employees engaged in the operations which are restricted. The American consumer will shortly find that many of the items which he would purchase in the normal course cannot be secured at all, or, at least cannot be secured without recourse to rationing procedures.

All this is dictated, however, by a carefully worked out plan and program, planned to accord with the necessities of war and the desirability of maintaining the production of relatively essential civilian items and services. The metal working industries which consume vast amounts of important raw materials, labor and machine tools, can now be diverted in large part to war production. This is a part of the process of total war in which our enemies have excelled. With our more abundant supplies of the consumers' goods in the homes and in stock, the Nation will bring its metal industries completely into war production in an orderly fashion. This is the way of total all-out war and the price of early victory.

Following is a list of products whose manufacture has been ordered prohibited by the War Production Board and of products in which critical materials may not be used after the indicated dates. In parentheses after products in the latter group are the materials which may not be used in their manufacture. Thus, curtain rods may be produced after June 30, but no metal may be used in their manufacture; while no electric toasters at all may be manufactured after May 31.

Product	Order No.	Prohibition date
Amusement machines.....	L-21.....	Apr. 30, 1942.
Ash trays and smoking stands (metal).....	L-13 and 62.....	May 31, 1942.
Awning frames and supports (metal).....	L-62.....	May 31, 1942.
Billboards, metal signs.....	L-29.....	June 30, 1942.
Burial vaults, morticians' goods (metal, except gold and silver).....	L-64.....	June 30, 1942.
Caskets (metal, except gold and silver).....	L-64.....	June 30, 1942.
Chairs, except shipboard use (metal).....	L-13 and 62.....	May 31, 1942.
Clothes racks (metal).....	L-62.....	May 31, 1942.

Product	Order No.	Prohibition date
Clothes trees (metal).....	L-62.....	May 31, 1942.
Coat hangers, except wire hook for wood hanger (metal).....	L-30.....	June 30, 1942.
Curtain rods (metal).....	L-30.....	June 30, 1942.
Doors, except as required by underwriters' code (metal).....	L-13.....	May 31, 1942.
Door mats (metal).....	L-62.....	May 31, 1942.
Electric grills.....	L-62.....	May 31, 1942.
Electric ironers.....	L-6-b.....	Apr. 15 and May 15, 1942.
Electric irons.....	L-65.....	May 31, 1942.
Electric roasters.....	L-65.....	May 31, 1942.
Electric toasters.....	L-65.....	May 31, 1942.
Electric waffle irons.....	L-65.....	May 31, 1942.
Electric massagers and vibrators, except medical, professional use.....	L-65.....	May 31, 1942.
Flashlight cases (no iron and steel except essential uses).....	L-71.....	May 31, 1942.
Flexible steel mats and rugs (metal).....	L-62.....	May 31, 1942.
Furniture, except for shipboard (metal).....	L-29 and 13.....	May 31, 1942.
Gaming machines.....	L-21.....	Jan. 31, 1942.
Hand mirrors (metal).....	L-62.....	May 31, 1942.
Hat racks (metal).....	L-62.....	May 31, 1942.
Juke boxes.....	L-21.....	Apr. 30, 1942.
Kitchen cabinets (home) (metal).....	L-62.....	May 31, 1942.
Lockers (metal).....	L-13.....	May 13, 1942.
Necktie racks (metal).....	L-30.....	June 30, 1942.
Ornamental steel jackets on heaters, water, gas, etc.....	L-42.....	June 1, 1942.
Outboard motors, except A-1-k or higher.....	L-80.....	Mar. 27, 1942.
Partitions (metal).....	L-13.....	May 31, 1942.
Picture frames (metal).....	L-62.....	May 31, 1942.
Plant and flower supports (metal).....	L-62.....	May 31, 1942.
Portable washing machines.....	L-6-b.....	Apr. 15 and May 15, 1942.
Pressing irons—boudoir and traveling.....	L-65.....	May 31, 1942.
Radiator covers (metal).....	L-62.....	May 31, 1942.
Record makers and players.....	L-44.....	Apr. 23, 1942.
Road and street signs and posts (metal).....	L-29.....	June 30, 1942.
Safes and vaults, except A-2 or higher.....	L-13.....	May 31, 1942.
Shoe trees (metal).....	L-30.....	June 30, 1942.
Signs (metal).....	L-29.....	June 30, 1942.
Smoking stands—smokadors (metal).....	L-62.....	May 31, 1942.
Soap receptacles (metal).....	L-30.....	June 30, 1942.
Soft-drink dispensers.....	L-38 and 27.....	Apr. 30, 1942.
Sun lamps, except for medical profession only.....	L-65.....	May 31, 1942.
Swivel chairs (metal).....	L-13.....	May 31, 1942.
Table tops for household use (metal).....	L-62.....	May 31, 1942.
Toilet paper holders (metal).....	L-30.....	June 30, 1942.
Tooth-brush holders (metal).....	L-30.....	June 30, 1942.
Toys—all types involving specified scarce materials.....	L-81.....	June 30, 1942.
Vacuum cleaners—household.....	L-18.....	Apr. 30, 1942.
Venetian blinds (metal).....	L-62.....	May 31, 1942.
Vegetable bins (metal).....	L-30.....	June 30, 1942.
Vending machines.....	L-27.....	Apr. 30, 1942.
Wastebaskets (metal).....	L-13.....	May 31, 1942.
Weighing machines, coin operated.....	L-21.....	Apr. 30, 1942.
Window display advertising, signs only (metal).....	L-29.....	June 30, 1942.
Windows (metal).....	L-80.....	Mar. 28, 1942.
Wire racks and baskets, except industrial (metal).....	L-62 and L-13-b.....	May 31, 1942.
Washing machines, household laundries.....	L-6-b.....	Apr. 15 and May 15, 1942.
Phonographs.....	L-44.....	Apr. 23, 1942.
Metal cabinets, except enameled filing cabinets, visible record equipment, cases and bases.....	L-13-b.....	May 31, 1942.
Clothes hampers (metal).....	L-62.....	May 31, 1942.
Dry shavers.....	L-65.....	May 31, 1942.
Electric dryers, hand and face.....	L-65.....	May 31, 1942.
Electric broilers.....	L-65.....	May 31, 1942.
Electric percolators.....	L-65.....	May 31, 1942.
Food warmers.....	L-65.....	May 31, 1942.
Mixers, whippers, and juicers.....	L-65.....	May 31, 1942.
Shoe racks (metal).....	L-32.....	June 30, 1942.
Radiators, large tubing.....	L-42.....	June 1, 1942.

The following should be added to the list:

Product	Order No.	Prohibition date
Refrigerators.....	L-5.....	Apr. 30, 1942.
Radio receivers.....	L-44-a.....	Apr. 23, 1942.
Automobiles.....	(Various orders and dates).	

## EXHIBIT No. 493

## WAR PRODUCTION BOARD PRIORITIES ORDERS IN FORCE

An alphabetical listing of all priorities orders in the M, P, E, and L series, together with miscellaneous orders and regulations which have been issued under the priorities power, up to January 30. (Supplement brings entire compilation up to date as of March 6, 1942.)

Prepared and issued by Office for Emergency Management, the Division of Information

NOTE.—The following material lists all priorities orders and amendments and interpretations which have been officially issued up to January 30. Mimeographed supplements to this list will be issued weekly.

"M" orders cover the distribution of materials, usually raw materials.

"P" orders are preference rating orders which assist manufacturers to obtain materials or parts required for war production or essential civilian production.

"E" orders regulate the distribution of equipment, including machine and cutting tools.

"L" orders limit the production of certain items, especially consumers' durable goods.



*Priorities in force*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>AIRPLANES—Material for production:</b>					
a. Aircraft accessories	P-52	PD-81, 108	9-15-41	3-31-42	A-1-d.
b. Airframes	P-3	PD-13	4-29-41	9-30-41	
	Ext. No. 1		9-18-41	10-31-41	
	Ext. No. 2		10-27-41	12-31-41	
	Ext. No. 3		12-31-41	1-31-42	
	Ext. No. 4		1-19-42	3-31-42	
1. Specified models for Curtiss-Wright	P-13	PD-52, 52a	7-3-41	12-31-41	A-1-b.
	Ext. No. 1		12-31-41	1-31-42	
	Ext. No. 2		1-19-42	3-31-42	
c. Airplane engines and propellers	P-4	PD-14	4-29-41	9-30-41	A-1-c.
	Ext. No. 1		9-18-41	10-31-41	
	Ext. No. 2		10-27-41	12-31-41	
	Ext. No. 3		12-31-41	1-31-42	
	Ext. No. 4		1-19-42	3-31-42	
d. Air-transportation facilities, material for maintenance and repair.	P-47	PD-96	9-6-41	Varies	A-3.
e. Bombers:					
1. Airframes	P-9-a	PD-43, 43a	6-26-41	12-31-41	A-1-b.
2. Aircraft engines	P-9-b	PD-44, 44a	6-26-41	12-31-41	A-1-b.
3. Propellers	P-9-c	PD-45, 45a	6-26-41	12-31-41	A-1-b.
4. Gun turrets	P-9-d	PD-46, 46a	6-30-41	12-31-41	A-1-b.
5. Gun sights, bomb sights, gun-fire controls	P-9-e	PD-47, 47a	6-30-41	12-31-41	A-1-b.
6. Turbo-superchargers	P-9-f	PD-48, 48a	6-30-41	12-31-41	A-1-b.
7. Specified aircraft engines	P-9-g	PD-81, 81a	12-6-41	12-31-41	A-1-b.
8. Extension of P-9-a through P-9-g	Ext. No. 1		12-31-41	1-31-42	A-1-b.
9. Further extensions of bomber orders (P-9-a—P-9-g)	Ext. No. 2		1-19-42	3-31-42	A-1-b.
f. Civil aircraft material for repair parts and accessories	P-6-a	PD-25c-1, c-2	7-21-41	12-31-41	A-10.
1. Supplementary order	Amend. No. 1		10-27-41	3-31-42	A-10.
2. Extension and granting of assistance to Civil Air Patrol.	Amend. No. 2		1-3-42	3-31-42	A-1-a.
g. Pan-American Airways, material for construction maintenance and operation.	P-41	PD-6	8-27-41		
<b>ALCOHOL.—To conserve supply and direct distribution:</b>					
a. Ethyl and related compound.	M-30		8-28-41	11-30-41	
1. Change of effective date.	M-30 Amended.		11-29-41	Until revo.	
2. Further restrictions and producers required to use corn or grain instead of molasses.	Amend. No. 2		12-31-41	Until revo.	
b. Methyl alcohol	M-30 Amend. No. 3		1-22-42	Until revo.	
1. Extension and clarification for distribution of residual supply.	M-31		8-28-41	11-30-41	
2. Certain limits lifted.	Ext. No. 1		11-12-41	7-31-42	
3. Forbids use for manufacture or as an antifreeze agent	M-31 Amend. No. 2		12-19-41		
c. Distilled spirits	M-31 Amend. No. 3		12-31-41		
	M-69		1-10-42	7-31-42	
				Until revo.	

## Priorities in force—Continued

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
ALUMINUM:					
a. To direct distribution.....	M-1 Ext. No. 1..... Ext. No. 2.....	PD-8, 26, 26a, 97, 114	(Eff. 1-15-42) 3-22-41..... 5-15-41..... 12-31-41.....	6-30-41. 12-31-41. 1-31-42.	
1. Schedule for deliveries.....	M-1-a Ext. No. 1..... Ext. No. 2.....	PD-39, 40, 114	3-22-41..... 5-15-41..... 12-31-41.....	6-30-41. 12-31-41. 1-31-42.	
2. Deliveries of low grade.....	M-1-b (Modifies M-1, M-1-a).		4-11-41.....	6-30-41.	
3. To direct distribution of aluminum scrap.....	M-1-c (Repeals M-1-b) EXT. No. 1		6-10-41.....	12-31-41.	
4. Segregation of aluminum scrap.....	M-1-d (Supersedes M-1-c).	PD-1.	12-31-41. 1-7-42.....	1-31-42. 12-31-42.	
5. Conservation order prohibiting the use of aluminum except for War Contracts and specific items included in the order.	M-1-e		1-23-42.....	Until revo.	
6. Aluminum scrap.....	P-12 Ext. No. 1.....	PD-40.....	6-26-41..... 12-31-41.....	12-31-41. 1-31-42.	A-10.
AMUSEMENT MACHINES—To restrict production.					
a. Automatic phonographs, weighing, and gaming machines	L-21	PD-182.....	12-10-41.....	Until revo.	
b. Vending machines.....	L-27		12-31-41.....	Until revo.	
ARC-WELDING AND RESISTANCE WELDING MACHINERY:					
a. Material for production.....	P-39 Ext. No. 1.....	PD-81.....	9-12-41..... 11-29-41.....	11-30-41. 3-15-42.	A-1-c.
b. Resistance welding alloy electrodes, material for production.	P-85	PD-81, 81a, 82.....	12-3-41.....	Until revo.	A-1-c.
c. Arc-welding electrodes, to facilitate the acquisition of such for operation of defense training classes. (See also Steel.)	P-92	PD-183.....	1-17-42.....	6-30-42.	As assigned.
ASBESTOS (South African):					
a. Conservation order prohibiting use after 2-1-42 except for defense orders for specified purposes.	M-79.....	PD-251, 252, 253.....	1-20-42.....	Until revo.	
AUTOMOBILES (Passenger):					
a. To restrict production.....	L-2 L-2 Int. No. 1.....		9-13-41..... 12-23-41.....	Until revo.	
b. Further production restrictions.....	L-2-a L-2-b		1-024-41..... 10-27-41.....	Until revo. Until revo.	
c. Elimination of bright work.....	L-2-b Amend. No. 1.....		12-10-41.....	Until revo.	
d. Supplementary automobile order	L-2-c		11-7-41.....	Until revo.	
e. Further production restrictions	L-2-d		12-10-41.....	Until revo.	
f. Production quotas for Dec. 1941 and Jan. 1942 and prohibiting sales or delivery of cars with more than four new tires.	L-2-e.....		12-24-41.....	Until revo.	
g. Amended by change of quotas.	L-2-e Amend. No. 1.....		1-23-42.....	1-15-42.	
h. Prohibits sale of new automobiles.	L-2-f.....		1-1-42.....	1-1-42.	
i. Ban on sale modified with respect to essential defense purposes.	L-2-f Amend. No. 1.....		1-8-42.....	1-8-42.	A-1-j.

2. Change of expiration date of sale ban.	L-2-f Amend. No. 2.	1-14-42.	2-2-42.	
3. Repossession, retaking, or transfer of title permitted for contracts, entered into, Prior 1-1-42.	L-2-f Amend. No. 3.	1-20-42.		
h. To prohibit production of.	L-2-g	1-20-42 (Eff. 2-1-42)	Until revo.	
BLIND-MADE PRODUCTS:				A-8.
a. Material for production	P-82	PD-1, 81, 81a, 106	4-30-42.	
BRISTLES (Pig and Hog):				
a. To conserve supply and direct distribution	M-51	12-13-41	Indefinite.	
1. Supplementary order	M-51-a	1-7-42	Indefinite.	
BURLAP AND PRODUCTS—To conserve supply and direct distribution:				
a. Allocation and conservation order	M-47	PD-186, 187, 188	Until revo.	
1. Provides for disposition	M-47 Amend. No. 1	12-31-42	Until revo.	
2. Clarification of "delivery" terms	M-47 Int. No. 1	1-13-42		
3. Interpretation of cut-off date and unfreezes burlap for certain manufacturers.	M-47 Amend. No. 2	1-19-42	Until revo.	
CADMIUM:				
a. To conserve supply and direct distribution	M-45	1-17-42	6-30-42.	
1. Conservation order curtailing use in certain items	M-45-a	1-17-42	Until revo.	
CANNING MACHINERY AND EQUIPMENT:				
a. Material for production	P-17	7-9-41	8-31-41	A-2.
b. Material for production	P-42	8-21-41	12-1-41	A-7.
1. Supplementary order	P-42 Amend. No. 1	9-30-41	12-1-41	
c. Issued to American Can Co	P-42-a	9-12-41	3-12-42	
1. Supplementary order	P-42-a Amend. No. 1	9-30-41	3-12-42	
d. Issued to Food Machinery Corp	P-51	9-22-41	3-18-42	A-3.
1. Supplementary order	P-51 Amend. No. 1	11-14-41	3-18-42	
CELLOPHANE:				
a. To limit use	L-20	11-8-41	Until revo.	
1. Addition of articles to restricted list	L-20 Amend. No. 1	1-10-42	2-15-42	
CHEMICALS—To conserve supply and direct distribution:				
a. Borax and boric acid	M-7	6-6-41	7-5-41.	
1. Extension of M-7 states "Borosilicate Glass," does not include Glazes or enamels.	M-7-a	7-3-41	7-30-41.	
b. Calcium silicum	Ext. No. 2	7-30-41	8-30-41.	
1. Complete allocation	M-20 (Revo. by Ext.).	7-29-41	11-30-41.	
c. Chloride (polyvinyl)	M-20-a (Revised and Ext.).	11-29-41	5-31-42	
1. Amended and extended	M-10	6-9-41	12-31-41.	
d. Chlorine	M-19	12-31-41	Indefinite.	
1. Amends and incorporates complete allocation effective 2-1-42.	M-19 Amend. No. 1 (Superseded M-19).	7-25-41	12-31-41.	
2 To restrict the use in pulp paper and paper board	L-11.	12-20-41	Until revo.	
		Eff. 11-15-41 (Except dates specified in Section C.	Indefinite.	
e. Cotton linters	M-12	D. E.)		
1. Clarifies provisions	Ext. No. 1	8-20-41	12-31-41.	
	M-12 Amend. No. 1	9-10-41	7-31-42.	
		11-5-41	7-31-42.	

*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>CHEMICALS—Continued.</b>					
<i>f.</i> Formaldehyde, paraformaldehyde, hexamethylenetetramine, and synthetic resins.	M-25		8-21-41	12-31-41.	
1. Clarification of ratings assigned to deliveries of resins.	M-25 Amend. No. 1		8-28-41.		
2. Utilitarian nondeorative garment buttons included in classification No. 1.	M-25 Amend. No. 2		10-1-41.		
3. Radio tube bases included in classification No. 1.	M-25 Amend. No. 3		11-17-41.		
4. Further clarification of ratings assigned to deliveries of synthetic resin.	M-25 Amend. No. 4		11-17-41.		
5. Amended and extended to include hand flashlight parts in classification A.	M-25 Amend. No. 5		12-31-41	Until revo.	
<i>g.</i> Nitrate (Sodium):					
1. Allocation order to conserve supply and direct distribution.	M-62		1-15-42	Until revo.	
<i>h.</i> Oxycelohide (phosphorus)	M-35		8-30-41	12-31-41.	
<i>i.</i> Phenol	M-27		8-30-41	12-31-41.	
1. Amended and extended	M-27 Amend. No. 1	PD-1, 178, 178a, b, 180.	11-10-41	7-31-42.	
<i>j.</i> Perchlorate (potassium)	M-32		8-28-41	11-30-41.	
<i>k.</i> Permanganate (potassium)	M-33		8-28-41	11-30-41.	
<i>l.</i> Pigments (titanium)	M-44	PD-145, 146	11-21-41	Until revo.	
			(Eff. 12-1-41)		
1. Change of effective date to Jan. 1, 1942	M-44 Amend. No. 1		11-25-41.	Until revo.	
2. Priority regulations governing production and distribution clarified.	M-44 Amend. No. 2		1-7-42		
3. Percentage of titanium dioxide to be set aside by producers for allocation increased 5 percent.	M-44 Amend. No. 3		1-24-42.		
	(Eff. 2-1-				
<i>m.</i> Phosphate (trieresyl)	M-16		8-30-41	12-31-41.	
<i>n.</i> Refrigerants (chlorinated hydrocarbon)	M-2		8-22-41	12-31-41.	
1. Extended by amendment	M-28 Amend. No. 1	PD-161, 162, 163, 164	12-31-41	Until revo.	
<i>o.</i> Solvent (chlorinated hydrocarbon)	M-41	PD-127	10-15-41	3-31-42.	
<i>p.</i> Toluene	M-34	PD-1	8-25-41	12-31-41.	
1. Further conservation and allocation and extension	M-34 Amend. No. 1	PD-223, 224	12-30-41	Until revo.	
<i>q.</i> Material for maintenance, repair, and operating supplies for production of chemicals.	P-89	PD-81, 81a	1-23-42	Until revo.	Varies.
<b>CHROMIUM:</b>					
<i>a.</i> To conserve supply and direct distribution	M-18	PD-53a, b	7-7-41	11-0-41.	
1. Supplementary order	M-18 Amend. No. 1		8-22-41	11-30-41.	
<i>b.</i> Complete allocation	M-18-a	PD-53a, b	11-29-41	4-30-42.	
1. Amendment to restrictions on melting and further distributions for deliveries.	M-18-a Amend. No. 1		1-13-42.		
<b>CORAL:</b>					
<i>a.</i> To conserve supply and direct distribution	M-39	PD-152, 153	11-4-41	3-31-42	
1. Supplementary order	M-39-a	PD-152, 153	12-5-41	3-31-42.	
<b>CONTAINERS—Material for production:</b>					
<i>a.</i> Steel	P-76	PD-81, 154a, 155a 156a	11-17-41	5-30-42.	A-4.
1. Supplementary order	P-76 as amended		12-31-41	5-30-42.	



b. Nonmetal, steel products use in production or repair of	P-79.....	PD-81.....	11-14-41.....	3-31-42.....	A-8-A-5.
c. Sheet steel for steel drums	M-45.....	PD-154, 155.....	11-17-41.....	5-30-42.....	
1. Supplementary order	M-45 Amend. No. 1.....		12-31-41.....	5-30-42.....	
CONVEYORS (Machinery):					
a. Material for production	P-78.....	PD-81, 82a.....	11-10-41.....	1-31-42.....	A-3.
COOKING APPLIANCES (Domestic) To restrict production	L-23.....	PD-192, 192a, 203.....	12-13-41.....	Until revo.	
COPPER:					
a. To conserve supply and direct distribution	M-9.....	PD-12, 37, 59, 60, 60a.....	5-29-41.....	12-31-41.....	
1. Supplementary order	M-9 Amend. No. 1.....		6-10-41.....		
	M-9 Amend. No. 2.....		7-9-41.....		
	M-9-a.....		8-2-41.....	12-31-41.....	
	(Supersedes M-9 as amended)				
b. Supplementary order	Ext. No. 1.....		12-31-41.....	1-15-42.....	
	M-9-a revised.....		1-7-42.....	6-30-42.....	
c. Copper scrap, copper base alloy scrap	(Supersedes M-9-a)				
1. Supplementary order	M-9-b.....	PD-130.....	9-30-41.....	12-31-41.....	
	M-9-b as amended		12-31-41.....	3-31-42.....	
	(Revokes P-61, Sup. M-9b)				
d. Conservation order to curtail use in certain items	M-9-c.....	PD-167, 169, 172, 189.....	10-21-41.....	Until revo.	
1. Further curtailment	M-9-c amended		11-1-41.....	Until revo.	
2. Further conservation provisions, superseding M-9-c as amended	Amend. to M-9-c (as amended 11-1-41)		12-10-41.....	Until revo.	
3. Provisions for copper use in radio industry	Int. No. 1 of M-9-c (As amended 12-10-41)		12-26-41.....		
4. "Health Supplies" added to list B	Amend. No. 1 of M-9-c (As amended 12-10-41)		1-13-42.....		
5. Restricts use of brass in manufacturing of shoe eyelets	(As amended 12-10-41)	PD-259, 260, 261.....	1-23-42.....	Until revo.	
a. Limited manufacture of shoe findings containing copper, except to fill orders calling for delivery prior to 4-1-42.	M-9-c-1.....		Eff. 1-1-42.....	3-31-42.....	
b. Prohibited manufacture and delivery of any shoe findings containing copper.			Eff. 3-21-42.....		
c. Prohibits manufacture attaching any shoe findings containing copper to any shoes.			Eff. 4-20-42.....		
e. Copper scrap, copper base alloy scrap, acquisition of such for defense purposes.	P-61.....	PD-126.....	10-13-41.....	12-31-41.....	A-10.
CORK:	(Revoked by M-9b as amended)				
a. To conserve supply and direct distribution	M-8.....	PD-28, 29, 51.....	5-31-41.....	9-30-41.....	
b. Cork end products and cork components, to direct use and distribution.	M-8-a.....	PD-51, 196.....	9-30-41.....	3-31-42.....	
CRANES—Material for production:	M-8-a Int. No. 1.....		10-16-41.....		
a. Electric traveling	P-1.....		3-12-41.....	Expired	A-1-c.
	(Superseded by P-5)				
b. Cranes and hoisting equipment	P-5.....		5-26-41.....	7-31-41.....	A-1-a.
1. Supplementary order	P-5 Amend. No. 1.....		6-14-41.....	7-31-41.....	
2. Supplementary order	P-5-a.....		7-30-41.....	10-31-41.....	
	(Supersedes P-6)				
3. Supplementary order	P-5-b.....	PD-81, 81a.....	10-29-41.....	2-1-42.....	A-1-a, b, c.
	(Supersedes P-5-a)				
	P-5-b Ext. No. 1.....		1-21-42.....	5-1-42.....	

*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
DEFENSE SUPPLIES RATING PLAN (See airplanes for P-6-a)	P-6 (Superseded by P-90)	PD-25, c, d, e	5-31-41	Varies.	
ELECTRICAL RELAYS AND SOLENOID ASSEMBLIES: Material for production	P-15 Ext. No. 1 Ext. No. 2	PD-57, 57a	7-11-41 12-31-41 1-31-42 3-31-42	12-31-41 1-31-42 3-31-42	A-1-d.
ELEVATORS, ESCALATORS, AND DUMB WAITERS: a. Material for production b. Repair parts:	P-91	PD-25a	12-30-41	Until revo.	A-2.
1. Material for production	P-72	PD-81, 82	11-10-41	1-31-42	A-3.
2. Extension and permission to apply rating to parts (or use in South and Central America and Caribbean Area; provided, separate PD-25-a forms are filed. Also further restrictions on use of rating.	P-72 Amend. No. 1	PD-25a	1-22-42 (Eff. 2-1-42)	Until revo.	
EXPLOSIVES (Industrial): Material for production	P-86	PD-81, 81a, 82	12-12-41	Until revo.	A-8.
FARM MACHINERY AND EQUIPMENT: a. Material for production	P-33 Ext. No. 1 Amend. No. 1 Ext. No. 2	PD-81, 88	8-20-41 10-31-41 11-29-41	10-31-41 11-30-41 2-14-42	B-10. A-8.
2. Extended and amended by change of rating	P-32	PD-81, 82	8-20-41	2-14-42	A-10.
b. Parts for maintenance and repair	P-95	PD-25a, 81, 81a	12-31-41	10-31-42	A-3.
c. Farm machinery, equipment, attachments, and repair parts:	L-26		12-31-41	10-31-42	
1. Material for production	M-71		12-29-41	1-31-42	
2. To conserve scarce materials by restricting production	M-71 Amend. No. 1		1-24-42	7-31-42	
FATS AND OILS: a. To conserve supply and direct distribution	P-45	PD-81	10-31-41	1-31-42	A-2.
1. Extended and amended by eliminating 3 months inventory restrictions and substituting processing restrictions.	P-45-a	PD-81	11-22-41	5-31-42	A-8.
FIRE FIGHTING APPARATUS: a. Material for production	L-25		11-24-41	Until revo.	
b. Issued to fire service of Dept. of Agriculture			Eff. 3-15-42		
FOIL (LEAD AND TIN): a. To conserve supply of tin and lead by restricting use and manufacture of foils.			Eff. 11-24-41		
1. Prohibited use of lead and tin foils in manufacture of decorative articles			Eff. 1-15-42		
2. Manufacture for specified purposes limited one-third of quota for preceding year.			11-29-41		
3. Prohibited, manufacture, sale and delivery of foil			12-23-41		
b. Change of effective date to Dec. 24, 1941			1-15-42		
c. Change of effective date to Jan. 15, 1942					
d. Revoked entirely					



*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>LEAD:</b>					
a. To conserve supply and direct distribution.....	M-38.....	PD-124, 66, 66a.....	10-4-41.....	3-31-42.....	
1. November quotas.....	M-38-a.....		10-18-41.....		
2. December quotas.....	M-38-b.....		12-1-41.....	Until rev.....	
3. Conservation order restricting the use of in specified items.....	M-38-c.....		1-10-42.....		
4. January quotas.....	M-38-d.....		12-31-41.....		
b. Lead scrap and scrap containing alloys thereof:	M-72.....		1-8-42.....	6-30-42.....	
1. To conserve supply and direct distribution.....					
<b>LOCOMOTIVES:</b>					
a. Material for repair and rebuilding.....	P-21.....	PD-65, 65a.....	7-21-41.....	11-30-41.....	A-3.....
1. Extension and clarification of reports to be filed.....	P-21 Amend. and ext. No. 1.....		11-29-41.....		
	Ext. No. 2.....		12-31-41.....	3-31-42.....	
b. Specified locomotive construction:	P-20.....	PD-64, 64a.....	7-21-41.....	11-30-41.....	A-3.....
1. Material for.....	P-20 Amend. and ext. No. 1.....		11-29-41.....	12-31-41.....	
2. Extension and clarification of reports to be filed.....	Ext. No. 2.....		12-31-41.....	3-31-42.....	
<b>MAGNESIUM:</b>					
a. To direct distribution and conserve supply.....	M-2.....		3-24-41.....	6-30-41.....	
1. Supplementary order.....	Ext. No. 1.....		4-2-41.....	9-30-41.....	
2. Supplementary order.....	M-2-a.....		3-24-41.....	4-30-42.....	
	M-2-b.....		11-14-41.....		
	(Supersedes M-2, M-2-a as extended)				
<b>MAINTENANCE AND REPAIR:</b>					
a. Supplementary orders and interpretations.....	P-22.....		9-9-41.....	2-28-42.....	A-10.....
	Int. No. 1.....		9-16-41.....	2-28-42.....	
	Int. No. 2.....		9-24-41.....		
	Int. No. 3.....		9-25-41.....		
	P-22 Amended and int. No. 1.....		11-5-41.....	4-1-42.....	
	Int. No. 2.....		11-5-41.....	4-1-42.....	
	Amend. No. 1 to P-22 amended.....		11-10-41.....	4-1-42.....	
	Int. No. 3.....		11-10-41.....	4-1-42.....	
	P-100.....		12-18-41.....	Until rev.....	A-10.....
	(Revokes P-22 entirely)				
b. Maintenance and repair order revised.....	M-78.....	PD-241, 242, 243, 244, 245, 246.....	1-23-42.....	Until rev.....	
<b>MERCURY:</b>					
a. To curtail use in certain items.....					
<b>MINES:</b>					
a. Material for maintenance and repair and supplies.....	P-56.....	PD-119.....	9-17-41.....	4-30-42.....	A-1-a-A-8.....
1. Supplementary order.....	P-56 Amend. No. 1.....		9-29-41.....	4-30-42.....	
(a) Interpretations for provisions.....	Int. No. 1.....		11-5-41.....		



b. Supplementary order covering all mining facilities 1. Add certain items to schedule A	P-56 (new order) P-56 Amend. No. 3	12-2-41 12-31-41	Until rev.	A-3.
c. Mining machinery and equipment, material for production 1. Supplementary order	P-23 P-56-a (Supersedes P-23)	7-29-41 12-31-41	Until rev.	
d. Materials for maintenance and repair for smelting and refining industries.	P-73 PD-212	12-22-41	Until rev.	Varies.
e. Material for maintenance and operation of South American mines. 1. Cerro de Pasco Corp. 2. Andes Copper Mining 3. Chile Exploration Co 4. Braden Copper Co.	P-58 P-58 P-8 P-8 P-58	10-8-41 10-8-41 10-8-41 10-8-41 10-8-41	9-30-42 9-30-42 9-30-42 9-30-42 9-30-42	A-3. A-3. A-3. A-3. A-3.
MOLASSES: a. To conserve supply and direct distribution b. Reduces restrictions on use for animal feed, changes basis of restrictions from monthly to quarterly periods. 1. Prohibits use, delivery, or acceptance of delivery for manufacture of beverage spirits.	M-54 M-54 Amend. No. 1	12-31-41 1-23-42	Until rev. Until rev.	
MOTOR CARRIERS: a. Motor trucks, truck trailers, and passenger trailers, material for production. 1. Supplementary order 2. Extension and further clarification of assignment of preference rating effecting deliveries of materials. Subject to restrictions of L-1-a.	P-54 Ext. No. 1 Ext. No. 2 P-54 Amend. No. 1 P-54 Ext. No. 3 Amend. No. 2.	9-12-41 10-15-41 11-6-41 12-31-41 1-23-42	11-30-41 12-31-41 1-31-42 2-28-42 3-31-42	A-3. A-3.
b. To limit the production of medium trucks, truck trailers, and passenger trailers. 1. Further curtailment (a) Extended by changing curtailment period (b) Extended by changing curtailment period through January. (c) Removal of restrictions on production of truck trailers. (d) All sales of parts and vehicles to the Gov't excluded from producers quotas. (e) Production quotas for specified companies. (f) Formalizes February production quotas. (g) 34 percent increased production for medium and heavy trucks but restricting the use of tires, tubes and casings on the vehicle.	L-1 L-1-a (Supersedes L-1) L-1-a Ext. No. 1 L-1-a Ext. No. 2 L-1-a Amend. No. 1 L-1-a Int. No. 1 Supplemental order No. 1 to L-1-a. L-1-a Amend. No. 2 L-1-a Amend. No. 3	8-30-41 9-12-41 10-15-41 11-6-41 12-4-41 12-5-41 12-10-41 12-31-41 1-23-42 (Eff. 3-1-42)	Until rev. 11-30-41 12-31-41 1-31-42 Until rev.	
c. Restricts sale and delivery of medium and heavy motor trucks and truck trailers. 1. Sale ban modified with respect to essential defense purposes. 2. Extension of sale ban. 3. Repossession, retaking, or transfer of title permitted for contracts, entered into prior to Jan. 1, 1942.	L-1-c L-1-c Amend. No. 1 L-1-c Amend. No. 2 L-1-c Amend. No. 3	1-1-42 1-8-42 1-14-42 1-20-42	1-15-42 2-2-42	

*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>NICKEL (Primary):</b> <i>a.</i> To direct distribution 1. Supplementary order	M-6 M-6-a (Revokes M-6) M-6-b	PD-27 PD-27	5-15-41 9-30-41 9-30-41	9-30-41 3-31-42 3-31-42	
<i>b.</i> Conservation order curtailing use of nickel in certain items. 1. 50 percent reduction of use in list A items 2. Prohibited use for production of list A items			1-20-42 Eff. 1-1-42 Eff. 4-1-42	Until revo. 3-31-42	
<b>OIL—To conserve supply and direct distribution:</b> <i>a.</i> Sperm oil <i>b.</i> Tung oil	M-40 M-57	PD-185	10-16-41 1-8-42	Until revo. 2-15-42	
<b>PAINTS (Marine):</b> Material for production	P-65	PD-81, 81a, 82	12-5-41	3-31-42	A-3
<b>PAPER (Waste):</b> To restrict consumption by eastern paper board and roofing-mill plants.	L-15		10-25-41	11-22-41 (Expired)	
<b>PETROLEUM:</b> <i>a.</i> To facilitate the acquisition of material held for distribution to persons in the industry. <i>b.</i> Material for operation of British Refinery— 1. Issued to Anglo American Purchasing Company. <i>c.</i> Material for producing, refining, transportation, and marketing of petroleum. 1. Permission to apply P-98 rating to specified materials to be used outside United States limits. Endorsement must include serial number instead of OPC Field Directors' countersignature.	P-83 P-103 P-98 P-98-a	PD-82, 82a PD-81, 81a	12-8-41 12-26-41 1-14-42 1-21-42	Until revo. Until revo. 2-23-42 Until revo.	A-8. A-1-c. A-1-A-10.
<i>d.</i> Conservation of production material for oil industry 1. Amendment to permit completion of wells in drilling process before Dec. 23, 1941. 2. Material for completion of wells "spudded" on or before Dec. 23, 1941. 3. Conservation of marketing material for oil industry prohibiting construction of new marketing facilities.	M-68 M-68 Amend. No. 1 M-68 Amend. No. 2 M-68-c	OPC-PD-214a, b, c OPC-PD-214a, b, c PD-215	12-23-41 1-14-42 1-23-42 1-14-42	Until revo. Until revo. Until revo. Until revo.	
<b>Fuel (Motor):</b> 1. To curtail and direct the distribution of fuel in Atlantic Coast area. 2. Termination of order	L-8	PD-131, 132, 133	9-30-41 10-24-41	Until revo.	
<b>Power (Electric):</b> <i>a.</i> To curtail consumption of power in southeastern area 1. The following supplemental orders were issued effecting specified consumers and also suspension periodically of various sections of original order.	L-16 Supplemental order No. 1 Supplemental order No. 2 Supplemental order No. 3 Amendment No. 1		10-30-41 11-6-41 11-12-41 11-14-41 11-26-41	2-28-42	

2. Revocation of entire order PRODUCTIONS REQUIREMENTS PLAN		Supplemental order No. 4.			
a. Producers permitted to extend AA ratings without special permission from the Bureau of Priorities.		P-90	PD-25a, f	12-5-41.	Varies.
b. Modified Productions Requirements Plan:		Supersedes P-6)		1-5-42.	
1. Designed for small business man whose annual business volume is less than \$100,000.		P-90 Amended.		12-3-41.	
PROJECTS (Defense):					
a. Materials for construction of defense projects outside U. S. rating may be extended to cover all necessary materials.		P-19	PD-62, 63a, 200	1-30-42.	Upon completion.
b. Materials for construction for defense projects but rating restricted to materials on critical list.		P-19-a	PD-63, 68a	7-21-41.	
1. Although this order hasn't been superseded, P-19 is now the effective order covering these specified projects.				7-18-41.	Upon completion.
c. A "Freeze" order issued to protect delivery dates.		P-19-b		1-23-42.	
d. Materials for construction:				7-30-41.	As assigned.
1. Publicly financed defense housing projects.		P-19-c			
2. Housing projects for defense workers. Rating restricted to materials on defense housing critical list.		P-19-d		9-9-41	As assigned.
3. United States housing projects. Rating limited to defense housing critical list but does not include coppler sheet or pipe.		P-19-g	PD-81	12-31-41	
e. Road projects:				7-31-12.	As assigned.
1. Material for construction.		P-19-e	PD-81	3-31-42.	
PULP (SULPHITE, WOOD):				3-31-42.	A-1-c.
a. Allocation program to conserve supply:		M-52	PD-198	10-18-41	
1. Entire January allocations allowed Rayonier, Inc.		M-52 Amend. No. 1.	PD-198	1-9-42	A-1-d.
RAPIDS—Material for production:				1-22-42.	
a. Radio receiving, transmitting, and directional equipment.		P-16	PD-58, 58a	7-11-41	Until revo.
b. Radio sondes (issued to Weather Bureau)		Ext. No. 1		12-31-41	
c. Radio receivers and phonographs, to restrict production.		Ext. No. 2		1-31-42	Until revo.
RAYON YARN—To conserve supply and direct distribution.		P-38	PD-6, 6a	1-19-42	
a. Supplementary orders:		L-44		8-26-41	Until revo.
1. Allocation order.		M-37	PD-102 Rev., 103, 106.	1-23-42	
2. Designated textile tabulating office, to receive reports pursuant to allocation order.		M-37-a	PD-112, 113	9-13-41	Until revo.
3. Clarification of terms used in order.		M-37-b	PD-112, 113	9-27-41	
4. Extension by amendments of both supplementary orders.		M-37-a Int. No. 1		11-22-41	Indefinite.
REFRIGERATORS: To restrict production:		M-37-a, M-37-b Amended.		11-10-41.	
a. Ice, domestic:				12-10-41	Until revo.
1. Curtailment period from October through December.		L-7	PD-176, 177	10-28-41	
2. Production quotas and further restrictions for January through March 1942.		L-7-a		1-6-42	Until revo.
b. Mechanical (Domestic):					
1. Curtailment period for August through December 1941.		L-5		9-30-41.	Until revo.
2. Further restrictions for January through February 1942		L-5-a	PD-125 Revised.	12-4-41	
3. Lifts restrictions on orders for essential defense purposes.		L-5-a Amend. No. 1.		1-6-42	2-28-42.

*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
REPLACEMENT PARTS: a. Material for production of automobile and light truck replacement parts. 1. Amendment and extension of order to permit a 150 percent increase production of specified parts, but subject to restriction of L-4.	P-57		9-18-41	12-31-41	As assigned.
	Ext. No. 1		11-14-41	1-31-42	
	P-57 Amend. No. 1		1-23-42	6-30-42	
b. To restrict production of parts used in repair of automobiles and light trucks for period September 15 through December 1941.	L-4		9-18-41	Until revo.	
1. Excludes producers quota sales to Gov't.	L-4 Int. No. 1		12-23-41.		
2. Establishes optional base period	L-4 Amend. No. 1		11-22-41.		
3. Amendment to definition of "replacement parts"	L-4 Amend. No. 2		1-23-42.		
4. January restrictions.	L-4-a		11-41-41.		
(a) A 150 percent increased production of specified parts.	L-4-a Amend. No. 1		1-23-42	6-30-42.	
c. To restrict production of parts for medium and heavy motor trucks, passenger carriers, and school bus bodies.	L-35		1-22-42.		
d. To facilitate the acquisition of materials for such parts, but subject to restrictions of L-35.	P-107		1-22-42	3-31-42.	
RESEARCH ORDERS:					
a. Experimental research work, material for	P-24	PD-74, 74a	8-5-41	12-31-41	A-1-b.
	Ext. No. 1		12-22-41	2-28-42.	
b. Research laboratory supplies and equipment, material for production.	P-43	PD-88, 93, 107	8-28-41	2-28-42.	A-2.
1. Rating may not be used for construction or expansion of laboratory buildings.	P-43 Int. No. 1		1-23-42.		
c. Laboratory equipment and reagent chemicals, material for	P-62	PD-82, 93, 93a	11-15-41.	3-31-42.	A-5.
a. To conserve supply and direct distribution	M-15	PD-49, 49a	6-20-41.	12-31-41.	
1. Determines quotas	M-15 Amend. No. 1		8-4-41.		
2. Restricting production of white side-wall tires	M-15 Amend. No. 2		8-8-41.		
3. Clarification of reports to be filed	M-15 Amend. No. 3		11-12-41.		
4. Supplementary order explaining July quota	M-15-a		6-27-41	7-31-41.	
5. Restricting sale, shipment, or delivery of new tires.	M-15-b		12-11-41	12-23-41.	
6. Extension of sale ban except for orders rated A-3 or higher.	M-15-b Amend. No. 1		12-19-41	1-5-42.	
7. Permission granted for manufacture of fire-extinguishing apparatus and clarifies manufacture of rubber heels and soles.	M-15-b Amend. No. 2		12-27-41.		
8. Prohibits sale, trade, or transfer of crude rubber latex or compound liquid latex without permission of WPB. Nonessential products restricted to reclaimed rubber list. A annexed.	M-15-b Amend. No. 3		1-20-42.		
			(Eff. 2-1-42)		
9. Drastic tire-rationing plan.	M-15-c	PD-3, 216	12-27-41.		
	(Eff. 1-5-42)				



10. Further restrictions and transactions of rubber tires, tubes, and casings.	M-15-c Amend. No. 1.	1-2-42.			
11. Persons possessing certificate may purchase new tires and tubes providing lease was in effect Dec. 11, 1941.	M-15-c Amend. No. 2.	1-3-42.			
12. Sales of new tires, tubes, or casings to Foreign Governments under Lend-Lease, subject to restrictions, allocations, and quotas.	M-15-c Amend. No. 3.	1-20-42.			
13. Modifies sales prohibition on specified sizes and subjects truck tires for ten-year-old vehicles to full restrictions.	M-15-c Amend. No. 4.	1-15-42.			
14. Further clarifications of restrictions concerning transactions and new tires, tubes, and casings.	M-15-c Amend. No. 5.	1-21-42.			Until revo.
b. Chlorinated rubber to conserve supply and direct distribution.	M-46.	PD-143, 144.		(Eff. 1-28-42)	7-31-42.
c. Neoprene, to direct distribution.	M-4, M-4-a through M-4-n.	PD-7, 36.			Expired.
d. Synthetic rubber	M-13.	PD-7, 33, 36.			12-31-41.
Supps—Material for:	M-13 Amend. No. 1.	6-9-41.			Until revo.
a. Conversion of ships	P-10.	PD-41, 41a.			Upon completion
b. Merchant ship construction.	P-7.	PD-30, 30a.			Upon completion
c. Shipways construction.	P-14a, b.	PD-56, 56a.			Upon completion
SLK:					
a. To direct distribution	M-22.	PD-77, 78, 78a.			Indefinite.
1. Restrictions on processing.	Int. No. 1.	7-26-41.			
2. Defines term "Raw Silk."	(M-22 as amended)	8-8-41.			
3. Further restrictions.	M-22 Amend. No. 2.	8-12-41.			
4. Further restrictions and applies A-10 rating to specified orders.	M-22 Amend. No. 3.	8-16-41.			
5. Clarification of reports to be filed on unbroken bales.	Amend. to M-22.	10-28-41.			
b. Silk waste, silk noils, garnetted or reclaimed silk fibers.	(As amended 10-16-41)				
1. Amended as to "Defense Orders" deliveries and processing restrictions.	M-26.	8-8-41.			1-31-42.
2. Extension.	M-26 Amend. No. 1.	9-5-41.			
STEELE AND IRON:					
a. To conserve supply and direct distribution.	M-26 Amend. No. 2.	1-30-42.			1-31-43.
1. Restrictions on production and delivery unless PD-73 has been filed as specified.	M-21.	PD-69, 70, 73, 99, 100, 169.			11-30-41.
2. Order extended.	M-21 Amend. No. 1.	9-9-41.			
3. Further clarification for filing PD-73.	M-21 Ext. No. 1.	11-25-41.			12-31-42.
	M-21 Amend. No. 2.	12-1-41.			

A-A.  
A-1-a, 1941, b,  
1942, and c,  
1943.  
A-1-a, b, A-  
1-a, 1941, A-  
1-b, 1942,  
1943.

*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>STEEL AND IRON—Continued.</b>					
6. Nickel-bearing steel	M-5	PD-10, 11, 17, 18.	4-10-41.	9-30-41.	
1. Defines terms "Producers and Distributors"	M-5 Amend. No. 1		4-30-41.	9-30-41.	
2. Schedule of deliveries	M-5-a		4-10-41.	9-30-41.	
3. Supplementary order	M-5-a Amend. No. 1		4-30-41.	9-30-41.	
4. Ratio of primary nickel to be used	M-5-b		6-17-41.	9-30-41.	
5. Entire M-5 order revoked by M-21-a.					
c. Alloy steel, alloy iron, and wrought iron.	M-21-a		9-16-41.	11-30-41.	
1. Restrictions on use of chromium in melting process and on delivery of.	M-21-a Amend. No. 1.		11-25-41.		
d. Steel warehouses	M-21-a Ext. No. 1		11-25-41.	12-31-42.	
1. Supplementary order	M-21-b	PD-83, 83a, b, c, d, e.	9-2-41.	11-30-41.	
2. Extended to expiration date of M-21 as extended	M-21-b Amend. No. 1		10-14-41.		
3. Consolidation into one order, provisions of M-21-b and directive issued Sept. 26, 1941.	M-21-b Ext. No. 1		11-25-41.	12-31-42.	
e. To restrict use of chromium in corrosion- and heat-resistant chrome steel.	M-21-b Amend. No. 2		12-24-41.	12-31-42.	
f. Steel plates:	M-21-d	PD-221	12-27-41.	Until revoc.	
1. Direct allocation to restrict production, delivery, and acceptance of plates, except in accordance with this order.	Allocation order No. 1		11-29-41.	Until revoc.	
2. Several changes.	P-92	PD-183.	1-7-41.	6-30-42.	
3. To facilitate the acquisition of plates for defense training classes.			1-17-42.		
g. Iron and steel scrap, to direct distribution.	M-21	PD-149, 150, 151	10-11-41.	6-30-42.	
h. Pig iron:	M-17	PD-69, 70, 71, a, b, c.	8-1-41.	11-30-41.	
1. To direct distribution.	M-17 Amend. No. 1		10-14-41.		
2. Schedule of deliveries.	Ext. No. 1 (M-17 as amended).		11-25-41.	12-31-42.	
<b>SUGAR (Direct Consumption):</b>					
a. To conserve supply and direct distribution	M-55	PD-206	12-13-41.	12-31-42.	
1. Deferrment of effective dates	M-55 Amend. No. 1		12-22-41.		
2. Delivery restrictions modified	M-55 Amend. No. 2		12-31-41.		
3. Example of receivers control of direct consumption of sugar.	M-55 Int. No. 1.		12-31-41.		
4. Amended by changing base period, by which quotas are established, from 1940 to 1941.	M-55 (as amended 1-24-42).		1-24-42.		
(a) February quotas for receivers.	M-55-a.		1-24-42.		
<b>SUPPLIERS' ORDER:</b>	M-37		1-3-42.	Until revoc.	
a. To limit suppliers' inventories of plumbing, heating, and electrical supplies.				Subject to revocation at any time.	A-1-c.
<b>TACKLE BLOCKS—Material for production.</b>	P-75	PD-82.	10-22-41.		

TANKS:	a. Light tanks:	1. Parts, accessories, and equipment.....	P-25-a.....	8-11-41.....	3-31-42.....	A-1-f.....
		2. Spare parts and accessories.....	P-25-b.....	8-11-41.....	3-31-42.....	A-1-f.....
		3. 36-cal. and 37-mm. guns.....	P-25-c.....	8-11-41.....	3-31-42.....	A-1-f.....
		4. Gasoline and Diesel engines.....	P-25-d.....	8-11-41.....	3-31-42.....	A-1-f.....
		5. Material for production.....	P-25-e.....	10-14-41.....	3-31-42.....	A-1-f.....
		6. All orders (P-25-a through P-25-e amended individually).....	Amend. No. 1 to P-25-e.....	12-12-41.....		A-1-a.....
	b. Medium tanks:	1. Parts, accessories, and equipment.....	P-25-a.....	8-11-41.....	3-31-42.....	A-1-d.....
		2. Spare parts and accessories.....	P-25-b.....	8-11-41.....	3-31-42.....	A-1-d.....
		3. 37-mm. and 75-mm. guns.....	P-25-c.....	8-11-41.....	3-31-42.....	A-1-d.....
		4. Gasoline and Diesel engines.....	P-25-d.....	8-11-41.....	3-31-42.....	A-1-d.....
		5. Material for production.....	P-25-e.....	10-9-41.....	3-31-42.....	A-1-d.....
		6. All orders (P-26-a through P-26-e amended individually).....	Amend. No. 1 to P-26-e.....	12-12-41.....	3-31-42.....	A-1-a.....
TEXTILE MACHINERY AND EQUIPMENT:						
	a. Parts for maintenance and repair:	1. Amended with respect to assignment of preference ratings, and restrictions on application of rating.....	P-53.....	9-13-41.....	3-1-42.....	A-10.....
			P-53 Amend. No. 1.....	12-4-41.....	3-1-42.....	A-10.....
TIN:	a. To conserve supply and direct distribution:	1. Amendments on general restrictions. Clarifications of reports to be filed.....	M-43.....	12-17-41.....	7-31-42.....	
		2. Conservation order curtailing use of tin in certain items.....	M-43-a.....	1-13-42.....		
TOOL:	a. Material for production for machine tools:	1. Material for production.....	P-2.....	12-31-31.....	Until revo. 6-30-42.....	
		2. To further facilitate the acquisition of material for production.....	(P-2 superseded entirely by P-11).....	1-8-12.....		
	b. Metal working equipment:	1. Material for production.....	P-11.....	7-1-41.....	9-30-41.....	A-1-a, b, c.....
		2. To further facilitate the acquisition of material for production.....	(Supersedes P-11).....	9-30-41.....	1-15-42.....	
	c. Material for rebuilding machine tools:	1. To direct distribution.....	Ext. No. 1.....	12-31-41.....	3-31-42.....	
		2. Classifying in groups.....	P-77.....	11-10-41.....	1-25-42.....	A-1-c.....
	d. Machine tools:	1. To direct distribution.....	P-77 Ext. No. 1.....	1-15-42.....	4-1-42.....	
		2. Classifying in groups.....	Supplemental order No. 1, to E-1.....	3-26-41.....	6-30-41.....	
		3. Change of urgency standings in exhibit A.....	Amend No. 1 to Supplemental order No. 1.....	7-7-41.....	12-31-41.....	
				8-21-41.....	12-31-41.....	
		4. Production and delivery of machine tools, gages, and chucks.....	E-1-a.....	1-6-42.....	Until revo. 1-8-42.....	
		5. Suspension of effective date of E-1-a.....	(Effective 1-10-42).....			
		6. New order containing revised master preference list and brings chucks and gages under complete priority control.....	E-1-a Amend. No. 1.....	1-8-42.....	Until revo. 1-12-42.....	
			E-1-a Revised.....	(Effective 1-15-42).....		

*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>Tools—Continued.</b>					
<b>e. Cutting tools:</b>					
1. Material for production.	P-18		7-31-41	10-31-41.	
(a) To further facilitate the acquisition of the material for production of cutting tools.	P-18-a	PD-6 Revised	8-29-41	11-30-41.	A-1-a.
(b) Amended and extended	E-2		11-29-41	2-28-42.	
2. To direct use and distribution of cutting tools.	E-2-a		7-17-41	11-30-41.	
(a) Supplementary order revoking previous orders.	E-2-a		8-28-41	11-30-41.	A-1-A-10.
(b) Addition of machines and extension.	Ext. No. 1.		11-29-41.	2-28-42.	
<b>f. Allocation of machine tools for United Kingdom.</b>	E-3		1-12-42	7-1-42.	
<b>Trucks—Material for production:</b>					
<b>a. Industrial lift trucks.</b>					
1. Material for maintenance and repair of lift trucks.	P-40	PD-81.	10-14-41	1-10-42	A-1-g.
	Ext. No. 1 of P-40 as amended.		1-10-42	3-10-42.	A-1-g.
<b>b. Light trucks, to restrict production:</b>					
1. Production quotas for August through November.	L-3		9-13-41	Until rev.	
(a) Excludes from producers quotas sales to Government.	L-3 Int. No. 1		12-23-41.		
2. December restrictions.	L-3-a		10-24-41.		
3. January restrictions. Elimination of bright work and light truck production may be increased if automobile production is reduced correspondingly.	L-3-b.		11-14-41.		
4. Supplemental order for further production restrictions for December and January and prohibiting sale, shipment, or delivery of trucks with more than essential number of tires.	L-3-d.		12-31-41.		
(a) Further restricting production of light motor trucks for December 1941 and January 1942.	L-3-d Amend. No. 1.		1-23-42.		
5. Prohibits sales of light motor trucks.	L-3-e		1-1-42	1-15-42.	
(a) Sale ban modified with respect to essential defense purposes.	L-3-e Amend. No. 1.		1-8-42.		
(b) Extension of sale ban.	L-3-e Amend. No. 2		1-14-42	2-2-42.	
(c) Repossession, retaking, or transfer of title permitted for contracts entered into prior to Jan. 1, 1942.	L-3-e Amend. No. 3.		1-20-42.		
6. To prohibit production of	L-3-f		1-21-42 (Ext. 2-1-42)		
<b>TUNGSTEN:</b>					
a. To direct distribution.	M-3	PD-9	3-26-41	6-30-41.	
1. Rating schedule.	M-3-a		3-26-41	6-30-41.	
	Ext. of M-3 and M-3-a.		6-20-41	8-31-41.	
2. M-3 and M-3-a revoked by M-29.					



b. Supplementary order to direct distribution. 1. Exempt certain purchasers from filing monthly reports.	M-29	PD-9	8-30-41.	12-31-41.
	M-29-a		10-13-41.	12-31-41.
	Ext./No. 1 of M-29 and M-29-a.		12-20-41.	6-30-42.
c. Used in high-speed steel. 1. Extension and further limitation of use in steel. 2. Further restrictions against placing and accepting orders regarding class A and B high-speed steel.	M-14	PD-101	6-11-41.	11-30-41.
	M-14 Amend. and Ext. No. 1.		11-29-41.	12-31-42.
	M-14 Amend. No. 2.		12-31-41.	12-31-42.
UTILITIES: a. Material for maintenance and repair of property and equipment of specified industries and services. 1. Permits application of rating to orders placed prior to date of preference order by filing duplicate copy of purchase order with supplier. 2. Deliveries of material for operation or maintenance and repair, restricted until producer's inventory of same class has been reduced to practical working minimum. 3. Rating not applicable to Territories outside of U. S. A., its Territories and possessions. 4. Further application of rating. 5. Further application of rating. 6. Rating applicable to material for repair or operation of property located in Philippine Islands. 7. Defines "minor improvements and minor capital additions." 8. Public utilities forbidden substantial expansion of property without express permission from W. P. B.	P-46	PD-103a, b, c, 194, a, b, c, 195a, b, c.	9-17-41.	A-10.
	P-46 Int. No. 1.		9-23-41.	
	P-46 Amend. No. 1.		9-26-41.	
VACUUM: a. To restrict production. 1. Further restrictions for January through March 1942.	P-46 Int. No. 2.		9-26-41.	
	P-46 Int. No. 3.		9-30-41.	
	P-46 Int. No. 4.		9-30-41.	
VANDIUM: a. To conserve supply and direct distribution. 1. Complete allocation order.	P-46 Int. No. 5.		11-5-41.	
	P-46 Amend. No. 2.		11-25-41.	
	P-46 Amend. No. 3.		12-11-41.	
VEHICLES—Material for production: Wire—Stretching and book binders: Wool—To curtail use a. Clarification of the phrases "and related fibers" and "wools known as carpet wools."	L-18	PD-170	11-27-41.	Until rev.
	L-18-a	PD-170	1-1-41.	Until rev.
	M-23	PD-84	8-14-41.	12-31-41.
ZINC: a. To conserve supply and direct distribution. 1. Amended and further directions for distribution. 2. July quotas to be set aside. 3. Priorities regulation No. 1 inconsistent with M-11 as amended. Specific instructions issued. 4. August quotas to be set aside. 5. September quotas.	M-23-a	PD-84	12-20-41.	6-30-42.
	(Revokes M-23)			
	P-35	PD-81	12-5-41.	3-31-42.
	P-101	PD-82	1-24-42.	Until rev.
	M-73	PD-256	1-3-42.	4-4-42.
	M-73 Int. No. 1.		1-24-42.	
	M-11	PD-20, 50a, 62, 94.	6-10-41.	12-30-41.
	M-11 Amend. No. 1.		(Eff. 7-1-41)	
	M-11-a	PD-20, 50a, 62, 94.	6-28-41.	12-30-41.
	Int. No. 1 to M-11 as amended.		9-15-41.	
	M-11-b		7-30-41.	
	M-11-c		8-21-41.	

*Priorities in force—Continued*

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
Zinc—Continued.					
a. To conserve supply and direct distribution—Continued.					
6. Specific shipping instructions for metallic zinc, zinc oxide and zinc dust.	Amend. to M-11, as amended 6-28-41.		10-16-41.		
7. October quotas.	M-11-d.		9-24-41.		
8. November quotas.	M-11-e.		10-31-41.		
9. December quotas.	M-11-f.		12-3-41.		
10. January 1942 quotas.	M-11-g.		12-31-41.		
11. M-11 as amended 6-28-41 and 10-16-41 extended.			12-27-41.	3-31-42.	

## SUSPENSION ORDERS

Company	Order No.	Violations	Penalty	Issued	Expiration date
Central Pattern & Foundry Co., Chicago, Ill.	S-1.	Shipped 41,449 lb. of aluminum for nonessential purposes in violation of general preference orders M-1, M-1-a, and M-1-c.	Suspension of all aluminum operations except the use of aluminum inventory to complete defense orders as of October 1, 1941.	10-15-41.	3-31-42.
	Amend. No. 1			12-2-41.	12-16-41.
	Amend. No. 2			1-31-42.	
	S-2.	Attempted to place order for brass pipe and copper tubing with a false statement that order was assigned an A-10 rating pursuant to P-22.	Withdrawal of all priority assistance.	12-20-41.	3-1-42.
Lieb & Buchalter, Inc., Brooklyn, N. Y.					
Interprise Oil Co., Interprise, Ala.	S-3.	Sold and shipped entire 2 months' production of mill run cotton liners in violation of the provisions of M-12.	All priority assistance withdrawn. Forbidden to accept delivery of cotton seed or to make deliveries of cotton liners.	12-22-41.	6-30-42.
Mock, Judson, Voehringer Co. of North Carolina, Inc., Greensboro, N. C.	S-4.	Silk was processed in violation of the provisions of M-22.	All priority assistance withdrawn. Processing of raw silk forbidden.	12-22-41.	8-15-42.
Siler City Hosiery Co., Siler City, N. C.	S-5.	Silk was processed in violation of the provisions of M-22.	All priority assistance withdrawn. Processing of raw silk forbidden.	12-22-41.	8-15-42.
Alabama Hosiery Mills, Inc., Decatur, Ala.	S-6.	Silk was processed in violation of the provisions of M-22.	All priority assistance withdrawn. Processing of raw silk forbidden.	12-22-41.	8-15-42.
State Metals & Steel Co., Inc., Canton, Ohio.	S-7.	Delivery of nonpreference rated high-grade aluminum scrap in violation of general preference order M-1-c.	All priority assistance withdrawn. Acceptance or delivery of aluminum forbidden.	12-20-41.	7-1-42.
National Pressure Cooker Co., Eau Claire, Wis.	S-8.	Violated Order M-1-c, by accepting deliveries of aluminum to which no preference rating had been assigned.	Forbidden to process, deliver, or receive any aluminum products.	2-10-42.	4-10-42.
New England Metals Co., Providence, R. I.	S-9.	Violated priority orders by delivery of aluminum scrap.	Forbidden to purchase or deliver aluminum or accept orders for aluminum.	2-10-42.	4-10-42.

The Acme Aluminum Foundry Co., Chicago, Ill.	S-10-----	Delivered aluminum casting on nondense orders without approval, and violated aluminum orders by failing to require customers to file statements covering inventories and orders placed with other producers.	Forbidden to accept or to make deliveries of aluminum, aluminum scrap, or alloys except as specifically directed.	2-4-42... 4-2-42
Hurley Machine Division, Electric Household Corp., Chicago, Ill.	S-10-----	In violation of L-6 and L-6-a exceeded production quota of September and December 1941.	Prohibits processing, assembling or production of ironing or washing machines and parts unless specifically authorized by WPB.	2-6-42... 8-1-42
A. B. C. Pattern Foundry Co., Chicago, Ill.	S-12-----	Accepted and misrepresented to WPB, deliveries of aluminum without preference ratings.	Forbidden to accept purchase orders, receive, or deliver any aluminum.	2-10-42... 4-10-42

# PRIORITIES REGULATIONS

Priority Regulation No.	Subject	Issued
A. Prior. Reg. No. 1. 1. Reg. No. amended-----	A. A series of rules and regulations applying to all priority orders and actions. 1. Amended by assigning a rating of A-10 to all defense orders not previously rated; and making mandatory, acceptance by producers, all orders bearing a priority rating, including the B rated orders, in preference to any unrated order.	8-27-41. 1-23-41.
B. Prior. Reg. No. 2-----	B. To make mandatory all preference ratings and to validate certain forms of preference rating certificates issued over the facsimile signature of E. R. Stettinius, Jr.	9-9-41.
C. Prior. Reg. No. 3-----	C. To provide for the use of revised preference rating certificates, designated as PD-1-a and PD-3-a, and to prescribe the manner of application of ratings assigned by those certificates.	1-12-42. (Eff. 2-2-42)
D. Prior. Reg. No. 4-----	D. To validate certain forms of preference rating certificates issued over the facsimile signature of Donald M. Nelson.	1-26-42.
E. Reg. No. 5-----	All priority forms and orders may be reproduced with certain specified exceptions.	2-5-42.
F. Reg. No. 6-----	Abolition of the Priorities Critical List, but subject of restriction of individual Priority Orders.	2-11-42.
G. Reg. No. 7-----	Signature of endorsement evidencing preference ratings.	2-17-42.

## PREFERENCE ORDERS

No.	Subject	No.	Subject	No.	Subject
P-1-----	Electric traveling cranes.	P-36-----	Not issued.	P-78-----	Conveying equipment.
P-2-----	Machine tools.	P-37-----	Not issued.	P-79-----	Iron and steel products.
P-3-----	Airframes.	P-38-----	Radioisotopes.	P-80-----	Canceled.
P-4-----	Airplane engines and propellers.	P-39-----	Are welding and resistance welding machines.	P-81-----	Not issued.
P-5-----	Cranes.	P-40-----	Industrial lift trucks.	P-82-----	Blind made products.
P-6-----	Defense supplies rating order.	P-41-----	Construction, maintenance, and operation of defense projects.	P-83-----	Petroleum industry.
P-6-a-----	Civil aircraft, repair parts, and accessories (see airframes).	P-42-----	Canning machinery and equipment.	P-84-----	Not issued.
P-7-----	Merchant ship construction.	P-43-----	Research laboratory supplies and equipment.	P-85-----	Resistance welding alloy electrodes.
P-8-----	Freight car construction.	P-44-----	Not issued.	P-86-----	Industrial explosives
P-9-----	Heavy bombers.	P-45-----	Fire-fighting apparatus.	P-87-----	Insecticides, germicides, and fungicides.
P-9-g-----		P-46-----	Utilities.	P-88-----	Not issued.
P-10-----	Conversion of ships.	P-47-----	Air transportation facilities.	P-89-----	Maintenance and repair of chemical industry.
P-11-----	Metal working equipment.	P-48-----	Canceled.	P-90-----	Production requirements plan.
P-12-----	Scrap aluminum.	P-49-----	Not issued.	P-91-----	Elevators, escalators, and dumb-waiters.
P-13-----	Airframes.	P-50-----	Not issued.	P-92-----	Steel plate and welding electrodes.
P-14-a, b-----	Shipways.	P-51-----	Canning machinery and equipment.	P-93-----	Not issued.
P-15-----	Electrical relays and solenoid assemblies.	P-52-----	Aircraft accessories.	P-94-----	Not issued.
P-16-----	Radio receiving, transmitting, and directional equipment.	P-53-----	Textile machinery and equipment.	P-95-----	Farm machinery and equipment.
P-17-----	Canning machinery and equipment.	P-54-----	Motor trucks, truck trailers, and passenger carriers.	P-96-----	Not issued.
P-18-----	Cutting tool equipment.	P-55-----	Defense housing projects.	P-97-----	Not issued.
P-19-----	Defense project (outside U. S.).	P-56-----	Mines.	P-98-----	Petroleum.
P-19-a-----	Projects (defense).	P-57-----	Passenger automobiles and light trucks.	P-99-----	Not issued.
P-19-g-----		P-58-----	Maintenance and operation of South American copper mines.	P-100-----	Maintenance, repairs, and operating supplies.
P-20-----	Locomotives.	P-59-----	Not issued.	P-101-----	Wire.
P-21-----	Locomotives.	P-60-----	Not issued.	P-102-----	Not issued.
P-22-----	Repairs, maintenance, and supplies.	P-61-----	Copper scrap and copper base alloy scrap.	P-103-----	Operation of British refinery (see petroleum).
P-23-----	Mining machinery.	P-62-----	Laboratory equipment and reagent chemicals.	P-104-----	Not issued.
P-24-----	Experimental research work.	P-63-----	Canceled.	P-105-----	Not issued.
P-25-a-----	Light tanks.	P-64-----	Not issued.	P-106-----	Copper.
P-25-b-----		P-65-----	Marine paints.	P-107-----	Replacement parts for motor carriers.
P-25-c-----		P-66-----	Not issued.	P-108-----	Canning.
P-25-d-----	Medium tanks.	P-67-----	Not issued.	P-109-----	Osnaburghs.
P-25-e-----		P-68-----	Iron and steel production.	P-110-----	
P-25-f-----		P-69-----	Canceled.	P-111-----	
P-25-g-----		P-70-----	Completion of certain private housing projects.	M-1-----	Aluminum.
P-25-h-----		P-71-----	Elevator and escalator repair parts.	M-2-----	Magnesium.
P-25-i-----		P-72-----	Heat treating furnaces.	M-3-----	Ferro tungsten, tungsten metal powder (see steel and iron).
P-25-j-----		P-73-----	Tackle blocks.	M-4-----	Neoprene.
P-25-k-----		P-74-----	Sheet steel.	M-5-----	Nickel bearing steel.
P-25-l-----		P-75-----	Machine tools.	M-6-----	Nickel.
P-25-m-----		P-76-----		M-7-----	Borax.
P-25-n-----		P-77-----		M-8-----	Cork.
P-25-o-----				M-9-----	Copper.
P-25-p-----				M-10-----	Chloride (see chemicals).
P-25-q-----				M-11-----	Zinc.



M-12-----	Cotton liners.	M-48-----	Not issued.	M-97-----	Coal and coke.
M-13-----	Synthetic rubber.	M-49-----	Iridium (see jewelry).	L-1-a-----	Motor carriers.
M-14-----	Tungsten.	M-50-----	Jewel bearings.	L-2-----	Automobiles (passenger).
M-15-----	Rubber.	M-51-----	Bristles, pig and hog.	L-3-----	Light motor trucks.
M-16-----	Phosphates (see chemicals).	M-52-----	Pulpwood sulphite.	L-4-----	Replacement parts.
M-17-----	Pig iron.	M-53-----	Not issued.	L-5-----	Refrigerators (domestic), mechanical.
M-18-----	Chromium.	M-54-----	Molasses.	L-6-----	Laundry equipment (domestic).
M-19-----	Chlorine (see chemicals).	M-55-----	Sugar.	L-7-----	Refrigerators (domestic), ice.
M-20-----	Calcium silicon (see chemicals).	M-56-----	Not issued.	L-8-----	Motor fuel (see petroleum).
M-21-----	Steel.	M-57-----	Oil, tung.	L-9-----	Not issued.
M-22-----	Silk.	M-58-----	Not issued.	L-10-----	Chlorine.
M-23-----	Vanadium.	M-59-----	Not issued.	L-11-----	Not issued.
M-24-----	Iron and steel scrap.	M-60-----	Not issued.	L-12-----	Furniture (metal office).
M-25-----	Formaldehyde, farformaldehyde, and hexamethylenetetramine (see chemicals).	M-61-----	Not issued.	L-13-----	Not issued.
M-26-----	Silk waste, silk nolls, and reclaimed silk fiber (see silk).	M-62-----	Sodium nitrate (see chemicals).	L-14-----	Paper (waste).
M-27-----	Phenol (see chemicals).	M-63-----	Imports, order.	L-15-----	Power (electric).
M-28-----	Refrigerants (chlorinated hydrocarbon) (see chemicals).	M-64-----	Not issued.	L-16-----	Not issued.
M-29-----	Tungsten.	M-65-----	Cadmium.	L-17-----	Vacuum cleaners (domestic).
M-30-----	Alcohol (ethyl).	M-66-----	Oil (cashew-nut shell).	L-18-----	Not issued.
M-31-----	Alcohol (methyl).	M-67-----	Suppliers' order.	L-19-----	Cellophane.
M-32-----	Perchlorate (potassium) (see chemicals).	M-68-----	Petroleum.	L-20-----	Amusement machines.
M-33-----	Permanganate (potassium) (see chemicals).	M-69-----	Distilled spirits (see alcohol).	L-21-----	Not issued.
M-34-----	Toluene (see chemicals).	M-70-----	Fats and oils.	L-22-----	Cooking appliances (domestic).
M-35-----	Oxychloride phosphorus (see chemicals).	M-71-----	Lead and tin scrap.	L-23-----	Not issued.
M-36-----	Manila fiber and manila cordage (see hemp).	M-72-----	Wool.	L-24-----	Foil (lead and tin).
M-37-a-----	Rayon yarn.	M-73-----	Not issued.	L-25-----	Farm machinery and equipment.
M-38-----	Lead.	M-74-----	Dyphtelamine.	L-26-----	Vending machines (see amusement machines).
M-39-----	Cobalt.	M-75-----	Not issued.	L-27-----	Incandescent lamps.
M-40-----	Oil, sperm.	M-76-----	Not issued.	L-28-----	Natural gas.
M-41-----	Solvents.	M-77-----	Mercury.	L-29-----	Replacement parts for motor carriers.
M-42-----	Canceled and superseded by P-87.	M-78-----	Asbestos.	L-30-----	Vitamin A.
M-43-----	Tin.	M-79-----	Not issued.	L-31-----	Plumbing and heating.
M-44-----	Titanium pigments (see chemicals).	M-80-----	Tin plate.	L-32-----	Radio receivers and phonographs.
M-45-----	Sheet metal for steel drums (see containers).	M-81-----	Hemp.	L-33-----	Machine tools (see tools).
M-46-----	Rubber (chlorinated) (see rubber).	M-82-----	Kapok.	L-34-----	Cutting tools (see tools).
M-47-----	Burlap and burlap products.	M-83-----	Corundum.	L-35-----	Machine tools (see tools).
		M-84-----	Shearlings.	L-36-----	
		M-85-----	Cigars.	L-37-----	

General Steel plates. Allocation Order No. 1.

## SUPPLEMENT

The following material is supplementary to the previous tabulation and brings the material up to date as of March 6

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
AGAR: To conserve supply and direct distribution	M-96		2-9-42	Until rev.	
AIRPLANES: a. Light aircraft: 1. To restrict the production and sale of light aircraft, having less than 500 horsepower and also limits the amount of aluminum to be used in the airframes.	L-48		2-17-42	Until rev.	
b. Pan-American Airways: 1. Extension of order for materials for maintenance and operation.	P-41 Amend. No. 1		2-19-42	9-1-42	
c. Aircraft products: 1. Replacing 12 previous aircraft orders, allows application of A-1-a rating to material entering directly or indirectly into production of direct military aircraft products.	P-109	PD-81-a	2-20-42	6-30-42	A-1-a.
d. Air transportation facilities: 1. Rating not only applies to all articles physically incorporated into the air carrier, but also to essential operational equipment such as tools, ground radios, etc.	P-47 Int. No. 1		2-11-42		
2. Order amended by permitting a higher rating for deliveries of material.	P-47 Amend. No. 1		3-6-42		
ALCOHOL: a. Distilled spirits: 1. Lack of storage space necessitates the suspension of paragraph C of order. Direct allocation orders are not affected.	M-69 Sup. No. 1		1-16-42	2-8-42	
2. Change of effective date to Feb. 1, 1942.	Sup. No. 2		2-1-42		
3. Distilleries prohibited from producing spirits for beverages. Production is for storage for industrial purposes or for sale or delivery to Lend-Lease, RFC Corp. or to persons included in provisions of M-30.	Sup. No. 3		2-20-42		
ALUMINUM: a. To direct distribution: 1. Extension of orders	M-1, M-1-a		1-31-42	2-28-42	
b. Low grade aluminum: 1. Extension of order	M-1-b		5-15-41	12-31-41	
c. Establishes a complete allocation system for aluminum. Supersedes M-1, M-1-a, except for specific exceptions.	M-1-f	PD-26-a, 40-a	2-17-42	12-31-42	
ASBESTOS: a. Conservation order: 1. Amended by prohibiting installation of 85 percent magnesia or other high temperature pipe covering except when specifically authorized or in two specified cases.	M-79 Amend. No. 1		2-28-42		

AUTOMOBILES: a. To restrict production: 1. General Motors, Cadillac Division, allowed to complete production of ambulance chassis. BRISTLES (Pig and Hog): a. To further conserve supply and additional restrictions on sale, delivery, and use. HURLAP AND PRODUCTS: a. Conservation order: 1. Amended by making supplies of hurlap bags available for bagging wool, peanut seed, and seed potatoes. b. Jute and Jute Products: 1. To conserve supplies and direct distribution by prohibiting the sale, delivery, or use of jute except with specific authorization of WPB. Defense orders not restricted but percentage restrictions are applied to nondefense products.	L-2-b.....	1-31-42.....	2-10-42.....	Varies.
	M-51 Amend. No. 1.....	2-4-42.....		
	M-47 Amend. No. 3.....	2-16-42.....		
	M-70..... PD-318, 319.....	2-27-42.....	4-30-42.....	
CANNING: a. Maintenance and expansion of plants canning fruits and vegetables: 1. To facilitate the acquisition of material for repair, maintenance of operation, replacement and addition or expansion subject to restriction of the order and also of M-81. b. Conservation order providing a drastic reduction in manufacturing sale, delivery, and use of tin cans. 1. Certain portions of M-81; restricting the sale, delivery, and use of tin cans, suspended for certain specified purposes. 2. Permission granted manufacturers to deliver cans that were completely manufactured or whose component parts were cut or lithographed on or before Feb. 11, 1942, for the purpose of canning beer, coffee, or hams, but stocks thus canned are frozen until disposition is ordered by WPB. 3. Order amended by suspending the restrictions pertaining to sizes of cans for primary and secondary products, provided they were all or in part manufactured on or before 2-11-42. All deliveries subject to quota provisions. 4. Canning order, M-81, modified to permit sale, delivery, or acceptance of cans for packing secondary product vegetables planted on or before 2-11-42, and canner had contracted for their purchase for canning on that date.	P-115..... PD-285, 81a.....	2-11-42.....	12-31-42.....	
	M-81..... PD-269.....	2-11-42.....	Until revo. 4-30-42.....	
	Issued by tel. (M-81).....	2-20-42.....		
	Issued by tel.....	2-25-42.....	5-31-42.....	
CANNING MACHINERY AND EQUIPMENT—Material for production: a. Extension of order. CELLOPHANE: a. To limit use: 1. Extension.	Issued by tel.....	3-4-2.....	12-31-42.....	Until revo. Until revo. Until revo. 3-17-42.....
	Issued by tel.....	3-5-42.....		
	P-42 Ext. No. 1.....	1-23-42.....		
	L-20 Amend. No. 2.....	2-14-42.....		

## SUPPLEMENT—Continued

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
CHEMICALS—To conserve supply and direct distribution: a. Diphenylamine b. Chlorfuc: 1. Further drastic restrictions on use. Prohibits use for bleaching in many specified articles, with the exception of water and sewage treatment. Specific ratings assigned for various uses. c. Materials for maintenance, repair, and operating supplies for production of chemicals. 1. Order amended by redefining "operating supplies." Ratings may be applied only by firms with specific authorization, including Canadian firms.	M-75 M-19 as amend P-89 amended	PD-262, 263, 266 PD-190, 190a, 277, 278, 191 PD-81, 81a	1-30-42 2-25-42 3-2-42	Until rev. Until rev. Until rev.	  Varies.
CHROMIUM: allocation order. Prohibits melting without specific authorization.	M-18-a Amend. No. 2 (Revokes M-18 as amend.)	PD-53, a, b	2-4-42	6-30-42	
COAL AND COKE: a. General Inventory Order: 1. Inventory restrictions of Priority Reg. No. 1. revoked to permit accumulation of coal and coke inventories by utilities and industrial users. Revocation applies only to coal and coke inventories.	M-37		2-13-42	Until rev.	
COBALT: a. Allocation system for all forms of cobalt. b. Conservation order prohibiting use in certain items. 1. Restricted use in manufacturing of List A items to 40 percent of cobalt use for such items for first 6 months of 1941. 2. Prohibited use in manufacturing of List A items.	M-39 (as amended 2-7-42) M-39-b		2-7-42 2-7-42 Eff. 2-1-42	6-30-42 Until rev. 4-30-42	
COMMUNICATIONS: a. Telephone Industry: 1. To limit the use of critical materials by the industry by prohibiting the conversion or replacement of various types of instruments with another "luxury" type, except where it is essential.	L-50		Eff. 5-1-42 3-2-42	Until rev.	
CONVEYOR MACHINERY—Material for production: a. Original order (P-78) expired, but producers are eligible for assistance under Productions Requirements Plan.		PD-25-a	2-3-42		
COOKING APPLIANCES: a. To restrict production: 1. Lifts restrictions on bright work so that existing inventories might be exhausted, and restricts fabrication of bright work requiring critical material.	L-23 Amend. No. 1		2-7-42		



COPPER.—To conserve supply and direct distribution: a. Prohibits sale of copper and copper products by mill, warehouses, and foundries except to fill orders bearing A-10 or higher rating. b. Clarification of deliveries of copper and copper products from warehouses, and staged deliveries of completed copper products are not included in prohibitions of order. c. Copper and copper-base alloys: 1. Order amended by revoking provisions allowing A-9 rating for replenishing stocks by warehouses after February 28, 1942. d. Conservation order prohibiting use in certain items: 1. Amended to permit use of essential operating parts for beamstays, cars, and equipment by adding railroad uses to List "B." e. Materials for repair, maintenance, or operation of mills that roll, draw, or extrude copper or copper base-alloys. Ratings vary according to the necessity of the operating materials. f. South American Mines: 1. Extended and amended to expedite deliveries of an increased amount of material.	Amend. to M-9-a (as amend. 1-7-42).	2-6-42.		
	Int. No. 1 M-9-a (as amend. 2-6-42).	2-19-42		
	M-9-a amend. No. 2 (as amend. 1-7-42).	2-25-42.		
	Amend. to M-9-e (as amend. 12-10-41).	2-28-42.		
	P-106	2-7-42	Until revo.	Varies.
	P-58 amended.	2-14-42	4-1-43	Varies.
CORONDRUM: a. To conserve supply and direct distribution: 1. An allocating system to specifically direct the manner and quantities of deliveries.	M-89	2-7-42	Until revo.	
	M-92	2-20-42	5-1-42	B-1.
COTTON: a. SXP cotton seed: 1. To increase the production of long staple cotton and to conserve supply of the seed, by prohibiting the sale of suitable planting seed, except under specified conditions. b. Cotton duck: 1. To conserve supply and direct distribution by restricting the use, sale, purchase, delivery, and also the manufacture of cotton duck products, unless specifically authorized by WPB or when such duck has been rejected as unfit for military use.	M-91	2-28-42	Until revo.	
	L-40	2-10-42	Until revo.	
FATS AND OILS: a. Vitamin A: 1. To conserve supply by restricting use for manufacture of multi-vitamin tablets with more than 5,000 units of vitamin A. FEATHERS (Goose and Duck): a. To conserve supply and direct distribution by restricting the sale and delivery of feathers except to fill defense orders with rating of A-1-j or higher.	M-102	2-24-42	Until revo.	

## SUPPLEMENT—Continued

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>FIRE FIGHTING APPARATUS:</b> <b>a. Material for production:</b> 1. Extension of original order. 2. Title changed to "Motorized Fire Apparatus." Original order revised. Material for production, but restricted to quantities authorized by WPB.	P-45, Ext. No. 1 P-45 (revised)	PD-82, 81a, 82	1-31-42 2-28-42	2-28-42. 4-18-42	A-2.
<b>b. Motorized fire apparatus:</b> 1. To prevent unnecessary consumption of scarce materials in production of motorized fire apparatus. Appendix attached for percentage of use of critical materials in specified articles, subject to provisions of orders governing those materials.	L-43		2-27-42	Until rev.	
<b>c. Fire protective equipment:</b> 1. To prevent unnecessary consumption of scarce materials in production of fire protective equipment. Sets forth a specific product list in which these materials may be used.	L-39		2-24-42	Until rev.	
<b>FREIGHT CAR CONSTRUCTION:</b> <b>a. A-3 rating is applicable only to materials to be physically incorporated in product.</b>	P-108	PD-81, 81a, 82	2-24-42	Until rev.	Varies.
<b>GAS (Natural):</b> <b>a. To curtail consumption of natural gas. With exception of 17 States, order does not apply unless gas shortage occurs or becomes imminent.</b>	L-31	PD-283	2-16-42	4-1-43.	
<b>GAS MASKS:</b> <b>a. To restrict production of unapproved masks and antigas devices.</b>	L-57	PD-328	3-3-42	Until rev.	
<b>GRAPHITE (Madagascar Flake):</b> <b>a. To curtail use by requiring that all flake graphite of crucible quality be used for the manufacture of crucibles.</b> 1. Prohibited use of graphite in manufacture of crucibles except with specific authorization of WPB.	M-61	PD-1-a, 303-a, 303-b	2-17-42 2-23-42	Until rev.	
<b>GUNS:</b> <b>a. Pistols, rifles, and shotguns:</b> 1. Prohibits sale, transfer or delivery of new guns, except to fill defense orders, any gun in transit at time of order or orders already received with A-1-i or higher rating.	L-60		2-27-42	6-1-42.	
<b>b. Shotguns (12-gauge):</b> 1. To restrict sale and manufacture of 12-gauge guns. Prohibits manufacturers from using machinery to turn out any other than these specified guns. Production of other guns limited to 50 percent of average 1940 monthly production.	L-55		2-23-42	Until rev.	

HEALTH SUPPLIES RATING PLAN:					
a. Simplification of procedure.....		P-29 Amend. No. 2.....	2-14-42.		
HEMP:					
a. Fiber (Agave) to conserve supply and direct distribution.....		M-84.....	2-20-42.		Until rev.
1. Processors notified they may process 100 percent for February instead of 80 percent as mentioned in original order.		Issued by tel.....	2-23-42.		
2. Order officially amended by permitting deliveries from dealers and jobbers to dealers and jobbers pursuant to contracts made on or before the date of order. Also allows 100 percent processing for February instead of 80 percent.		M-84 Amend. No. 1.....	2-28-42.		
3. Order amended by permitting use and delivery of binder twine made from agave fiber for defense contracts for sand bags.		Issued by tel.....	3-5-42.		
b. Manila fiber and cordage:					
1. Further restricts the processing of fiber and also reduces the amount of cordage to be sold in any 1 month. Quantity based on a "basic monthly poundage."		M-36 Amend. No. 3.....	2-20-42.		Until rev.
HOUSING:					
a. Extension of time for filing of PD applications.....		P-71.....	PD-135.	1-31-42.	2-13-42.
b. Material for construction of defense housing projects:		P-55 amended.....	PD-105.	Effective when countersigned by District Mgr. of Field Operations, W.P.B.	Varies.
1. Order amended simplifying the extension of preference ratings by subcontractors.					
JEWELRY:					
a. To conserve supply and direct the distribution of jewel bearings and jewel bearing material:		M-50, Amend. No. 1.....	PD-235, 236.	2-28-42.	Until rev.
1. Amended to prohibit the use of large ring jewel bearings except on orders with A-9 or higher rating. Redefines "size" of large ring jewel bearings.					
KAPOR:		M-85.....		2-4-42.	Until rev.
a. Conservation order to conserve supply and direct distribution.					
LAMPS (Incandescent):		L-28.....		1-24-42.	Until rev.
a. To conserve supply of nickel, brass, and copper by curtailing use in manufacture of nonessential lamps.					
LAUNDRY EQUIPMENT (Domestic):		L-6-b.....		2-24-42.	2-15-42.
a. To restrict production:					
1. Extends February production quotas into the first half of March.					
LEAD:		M-38-e.....		2-10-42.	
a. February, 1942, quotas of amount of lead to be set aside.		M-38-f.....		2-28-42.	
b. March, 1942, quotas of amount of lead to be set aside.					
LOCOMOTIVES:		P-20 Int. No. 1.....		2-3-42.	
a. A-3 rating is applicable only to materials to be physically incorporated in product.					
b. A-3 rating is applicable only to materials to be physically incorporated in product.		P-21 Int. No. 1.....		2-3-42.	

## SUPPLEMENT—Continued

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
<b>MAINTENANCE AND REPAIR:</b> <i>a.</i> Priority assistance extended also for maintenance and repair of agricultural machinery and to deliveries of materials for maintenance and repair of specified Canadian producers to whom a serial number has been issued pursuant to this order. <i>b.</i> To restrict the application of rating to critical materials, such as metals, burlap, and rubber, in the repair, maintenance, and operation of highways. <i>c.</i> Assistance for supplies granted to firms engaged in inspecting plant equipment for the purpose of discovering faults or defects.	P-100 as amend.....  P-100 Int. No. 1.....  Amend. No. 1 to P-100 (as amended).	-----  -----  -----	2-10-42.  2-13-42.  2-28-42.	-----  -----  -----	-----  -----  -----
<b>MIXES:</b> <i>a.</i> Mining machinery and equipment: 1. Material for maintenance and repair: <i>a.</i> Order amended to give higher ratings for repair of essential machinery, and elimination of lower ratings for nonessential mining purposes. 2. Material for production: <i>a.</i> Order amended to permit the assignment of rating or ratings to the producer by the procedure similar to Production Requirements Plan. Formerly a single rating was assigned to materials for production.	P-56 as amended.....  P-56-a as amended.....	PD-119.....  PD-25-a.....	3-2-42.....  3-2-42.....	Until revo. ....  7-1-42.	Varies.  -----
<b>MOLASSES:</b> <i>a.</i> To conserve supply and direct distribution: 1. Puerto Rico and Virgin Island rum makers given an exception to order, allowing them to make rum at a rate of 90 percent of 1941 operations.	M-54.....	-----	2-2-42.	-----	-----
<b>MOTOR CARRIERS:</b> <i>a.</i> To restrict production: 1. Modification of order establishing February quotas, by allowing manufacturers to carry over into March unused portion of quota. 2. Amended by cancelling March quotas for production of Medium trucks. <i>b.</i> Restricting sale and delivery: 1. Extension of sale ban..... 2. Further extension of sale ban..... 3. Amendment lifting the restrictions on the sale and delivery of any "Fire Apparatus," as defined in the amendment, provided: A-10, or higher rating has been assigned specifically to the apparatus. 4. Further extension of sale ban prohibiting the sale, transfer, or delivery of motor carriers.	Issued by tel. pursuant to L-1-a, Amend. No. 2. L-1-a Amend. No. 4.....  L-1-c Amend. No. 4..... L-1-c Amend. No. 5..... L-1-c Amend. No. 6.....  L-1-c Amend. No. 7.....	-----  -----  -----  -----  -----	2-21-42.  3-2-42.  1-31-42. 2-10-42. 2-25-42.  2-28-42.	-----  -----  2-11-42. 2-28-42.   3-8-42.	-----  -----  -----  -----  -----





## SUPPLEMENT—Continued

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
POWER (Electric): a. To provide for the curtailment of electric power in the Niagara frontier area.	L-46.		2-27-42.	12-31-42.	
PROJECTS: a. Material for construction of rated projects: 1. A simplified procedure for extension of preference ratings pursuant to project applications. Rating limited to materials physically incorporated in project.	P-19-h.	PD-200, 200a	As assigned	Upon completion.	
PUP (Sulphite Wood): a. To conserve supply and direct distribution: 1. Further allocations 2. Allocation schedule amended by adding to February schedule for nitration purposes, a schedule for February and March Lend-Lease requirements. 3. Further allocations for March 1942.	M-52 Amend. No. 2. M-52 Amend. No. 3. M-52 Amend. No. 4.	PD-198.	2-5-42. 2-18-42. (Eff. 2-1-42) 2-25-42. (Eff. 3-1-42)	3-31-42.	
RADIOS: a. Radio receiving, transmitting, and directional equipment, material for production: 1. Revocation of order. b. Radio sondes: 1. Extended and amended by assigning an A-1-d rating to all materials entering directly or indirectly into production.	P-16. P-38 Amend. No. 1.		1-28-42. 2-18-42.	4-30-42.	A-1-d.
RAYON YARN: a. To conserve supply and direct distribution: 1. Rayon producers ordered to set aside larger percentage of production during March for hosiery manufacturings. 2. Superseding M-37-a larger quantities of rayon made available to hosiery and weaving industries.	Issued by tel. pending revision of M-37-a. M-37-c.	PD-113.	2-3-42.	Until rev.	
REFRIGERATORS (Domestic Mechanical): a. To restrict production: 1. Amended by merely defining a domestic mechanical refrigerator as one with a net capacity of 16 cubic feet or less. 2. To restrict the sale and delivery of mechanical refrigerators. 3. Prohibits sale, delivery, or transfer of refrigerators except those actually in transit to dealers at time of effective date of original order. 4. Further interpretation of shipping or transfer provisions of refrigerators sold, leased, or traded prior to effective date of original order.	L-5 Amend. No. 1. L-5-b. L-5-b Int. No. 1. L-5-b Int. No. 2.		3-4-42. (Eff. 4-1-42) 3-3-42. 2-14-42. 2-10-42. 2-23-42.	Until rev.	

b. Freezes and restricts the sale:	1. Amended to permit the sale of any new refrigerator to Army, Navy, or Maritime Commission, with the permission of WPB, provided, that a report of such sales shall be made to WPB.	L-5-b Amend. No. 1.	3-2-42.	
	c. To prohibit production:		2-23-42	Until rev.
REPLACEMENT PARTS:	a. Amends definition of light trucks to read "those having a maximum gross vehicle weight rating of 9,000 pounds or less."	L-4 Amend. No. 2	2-12-42.	
	b. To restrict production of replacement parts used in repair of light trucks and passenger automobiles.	L-4 Amend. No. 3	2-12-42.	
c. Amends definition of light trucks to read "those having a maximum gross vehicle weight rating of 9,000 pounds or less."	d. Definition of replacement parts and setting up quotas.	P-57 Amend. No. 3	2-12-42.	
	e. Raises preference rating from A-3 to A-2.	L-35 Amend. No. 1	3-5-42.	12-31-42.
RESEARCH:	a. Research laboratories supplies and equipment.	P-107 Amend. No. 1	3-5-42.	
	b. Experimental and research work materials for:	P-43 Ext. No. 1	2-28-42	8-31-42.
RUBBER:	1. Extension of order.	P-24 Ext. No. 2	2-25-42	3-31-42.
	a. To conserve supply and direct distribution:	M-15-b-1	2-11-42.	
1. Definite specifications limiting amount of crude rubber in manufacture of various essential products.	2. Makes available certain scrap rubber for less essential civilian items.	M-15-b Amend. No. 4	2-19-42.	
	3. Amended by substituting revised lists of commodities and articles, together with the percentages of rubber that may be used in the manufacture.	M-15-b Amend. No. 5	2-28-42. (Eff. 3-1-42).	
Tire rationing plan:	a. Adds provision for tire reappers and retreaders to purchase innerubes as substitutes for airbags in retreading process.	M-15-c Amend. No. 6	2-9-42 (Eff. 2-13-42).	
	2. Amends restrictions on "Transfer" of tires, provided no change of ownership results.	M-15-c Amend. No. 7	2-16-42.	
Chlorinated rubber:	1. To conserve supply and direct distribution by freezing all stocks, except those used for specified purposes.	M-46 Amend. No. 1	2-23-42	Until rev.
	a. To direct distribution:			
SLK:	1. All raw silk supply brought under complete control and sales prohibited except to and by Defense Supplies Corporation.	Amend. to M-22 as amend.	2-10-42	Varies.

## SUPPLEMENT—Continued

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
SPECIAL CONSERVATION ORDER: a. Prohibits sale, delivery, or any otherwise acquisition of any property owned by the Foss Gas Engine Co., Springfield, Ohio, scheduled for sale at public auction 2-24-42. Purpose is time for WPB to investigate and determine if plant can be requisitioned for war production, intact, or to allocate the equipment for specific war contractors.			2-21-42.		
	M-21-a Amend. No. 2		12-20-42.		
	M-21-b Amend. No. 3	PD-83, 83a, 83f.	2-23-42	12-31-42.	
	M-21-e.		2-3-42.	Until rev.	
	M-21-f.	PD-201, 307, 308.	2-17-42	Until rev.	
STEEL AND IRON: a. To conserve scarce alloying elements used in production of alloy iron and steel. b. Steel warehouses: 1. Order amended to prohibit warehouses from accepting deliveries in excess of assigned quotas from anyone. Restricts delivery from warehouses of certain types of steel products except to fill high preference ratings. c. Tin plate,terne plate, and long ternes: 1. Incorporates provisions of tin and lead conservation orders and further reduction in amount of tin used in manufacture of cans. A quota system also set up. d. Shot and bullet core steel: 1. An allocation system established for this specific type of steel in manufacture of List A items attached to order. e. To facilitate the acquisition of material for the maintenance and repair of the iron and steel industry for production. 1. Extends rating and assistance to Canadian producers for their maintenance and repair. 2. Producers of iron and steel products allowed rating to obtain office supplies and other similar operating materials. Also extended.	P-68	PD-148, 81	10-31-41	6-30-42	Varies.
	P-68 Amend. No. 1		1-8-42.		
	P-68 Amend. No. 2. Ext. No. 1.		2-27-42	Until rev.	A-10.
	M-98.		2-14-42	12-31-42.	
	M-98-a.		2-14-42	12-31-42.	
SUGAR: a. Control of entire supply of 1942 raw cane sugar supply taken over by WPB. 1. Supplementary order establishing the allotment of raw sugar for all refineries for period Jan. 1 through Sept. 30, 1942. b. Receivers permitted to buy back sugar sold to household consumers in excess of needs, without having those supplies charged against their quotas. c. Receivers quota for March 1942. d. Refiners, importers, and distributors ordered to deliver sugar to canners only after certification that supply would be used in processing operations within 45 days.	M-55 Amend. No. 1 (as amend. 1-24-42).		2-19-42.		
	M-55-b Issued by tel. (pursuant to M-55).		2-19-42. 2-28-42.		



TEAK: a. To conserve supply and direct distribution by limiting the use except for military needs and prohibiting the processing except for incorporation into finished products for Army or Navy.	M-83.....	3-5-42.....	Until rev.
TEXTILE MACHINERY AND EQUIPMENT: a. Parts for maintenance and repair: 1. Extended and amended by raising the rating for deliveries of material.	P-53 Amend. No. 2. Ext. No. 1.  M-43a, Amend. No. 1	2-28-42.....  2-14-42.....	6-30-42.....  A-8.
TIN: a. Prohibits jewelers from melting, fabricating, or changing form of tin and tin-bearing materials and also makes available for purchase or requisitioning by WPB, all of their supply on hand.	E-2-a E-4.....	2-27-42 2-3-42.....	Until rev. Until rev.
TOOLS: a. Cutting tools to direct distribution..... b. To allocate and direct the distribution of second-hand machine tools. c. Cutting to direct distribution: 1. Extension of order.....	F-18-a Ext. No. 2.  L-53.....  L-3 Amend. No. 1.....	2-28-42..... 2-19-42..... 2-12-42.....	7-1-42. Until rev.  Until rev.
TRACTORS—Track-laying: a. To prohibit the sale and direct the distribution of track-laying tractors and auxiliary equipment. b. Amends definition of light trucks to read "those having a maximum gross vehicle weight" or rating of 9,000 lbs. or less. c. Light, medium, and heavy trucks, truck-tractors, and trailers: 1. General conservation order to ration or allocate such vehicles in a specific manner. Contains a classification list which serves as a basis for preferential allocation.	L-3-e Amend. No. 4. Amend. No. 5. Amend. No. 6.....  M-100.....	1-31-42..... 2-10-42..... 2-28-42.....  2-28-42. (Eff. 3-9-42).....	2-11-42. 2-28-42. 3-8-42.  Until rev.
TUNGSTEN: a. Conservation order limiting certain users to a specific ratio and prohibits use in grinding wheels, gages and as coloring material for rubber, linoleum, paper, etc. after May 1, 1942.	M-29-b.....	2-14-42.....	Until rev.
TYPEWRITERS: a. Restricting, temporarily, the delivery of new and used typewriters, except under specified conditions.	L-54.....	3-5-42.....	Until rev.
WOOL.—To curtail use: a. Amended by providing that fabrics used in manufacture of officers' uniforms be classed as fabrics used in defense orders and also clarifies restrictions on wool processing apply only to actual owners of wool. b. Extended and amended by further restricting the use of military-quality wool for the second 13 weeks of 1942.	M-73 Amend. No. 1.....  M-73 as Amend.	2-24-42.....  2-25-42 (Eff. 4-5-42).....	6-5-42.

## SUPPLEMENT—Continued

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
Wool—Continued. c. To conserve the supply of wool for production of men's and boys' clothing by ordering specific simplifications in style. 1. Order shall become effective for "tailors-to-the-trade" or "merchant tailors."	M-73-a		3-2-42 (Eff. 3-30-42). 5-30-42.		
d. Amended by clarifying the restrictions to include "coats, trousers, vests." Original interpretation did not include sport coats.	M-73-a Amend. No. 1		3-6-42.		
e. Shearings: 1. Superseding a telegraphic order, 12-12-41, entire supply made available for military requirements, except that which does not meet specifications.	M-94		2-16-42.	Until revo.	
ZINC: a. Further increase of zinc pool requirements to be set aside for March 1942.	M-11-1		2-28-42 (Eff. 1-1-42).		

## EXHIBIT No. 494

## WAR PRODUCTION BOARD

## DIVISION OF INFORMATION

[For Immediate Release, Thursday, March 26, 1942.]

WPB 675

Attached is the third of a series of weekly supplements to be used with the printed compilation of priority orders and forms issued by the Division of Information and called PRIORITIES IN FORCE.

The original compilation has been revised to include the first two supplements and is issued as a new publication. It is an alphabetical listing of all the orders in the M, L, P, E, Suspension series and Priority Regulations issued by the Bureau of Priorities, Division of Industry Operations, War Production Board, through March 6, 1942.

This supplement adds to that list the orders issued for the period March 6 through March 25, 1942. Due to a delay in the reprinting of the original booklet and the first two supplements, there has been no supplement since March 6.

A mailing list has been established by the Division of Information for the weekly distribution of these supplements.





ELECTRIC LAMPS AND SHADES (Portable): a. To curtail manufacture.	L-35.....	3-23-42	Until rev.	
	L-26-a.....	3-9-42		
FARM MACHINERY AND EQUIPMENT: a. Restricting manufacture of farm tractors requiring rubber tires.	M-61.....	3-23-42		
FLAKE GRAPHITE (Madagascar): a. Interpretation No. 1.	P-8 Extended	3-16-42	4-30-42	A-3.
FREIGHT CAR CONSTRUCTION: a. Material for	L-56.....	3-14-42	Until rev.	
FUEL OIL—To curtail consumption.	M-113.....	3-23-42	Until rev.	
GENERAL INVENTORY ORDER: a. Revocation of inventory restrictions on certain type boxes	M-36 Amend. #3	2-20-42	Until rev.	
HEMP—To conserve supply and direct distribution:	M-36 Int. #1	3-7-42	Until rev.	
a. Manila fiber and manila cordage:	M-36 Amend. #1	3-7-42	Until rev.	
1. Further restricting processing, sale and delivery	M-65 Amend. #3	3-11-42	Until rev.	
2. Definition of Manila Cordage				
3. Restricting sales and deliveries				
IMPORTS ORDER: a. To conserve supply and direct distribution of designated materials in which shortages exist and which are imported—changes in list "A".	M-24-a.....	3-24-42	Until rev.	
IRON AND STEEL: a. Scrap—restrictions on sale or shipment of tinued scrap—supplementary order.				
KAPOK: a. Permits accumulation of stock by small dealers—amendment and extension.	M-85 Amend. #1	3-16-42	4-30-42	
LAUNDRY EQUIPMENT (Domestic)—To restrict production:	L-6-c.....	3-14-42	Until rev.	
a. Further restricting and finally prohibiting production	M-60.....	3-20-42		
LAURIC ACID OILS—To restrict production				
LEAD: a. Extension No. 1	M-38.....	3-20-42	12-31-42	
LEATHER: a. Sole Leather—80% of top grade leather soles set aside for manufacture and repair of military shoes.	M-80.....	3-12-42		
LICENSE PLATES: a. Metallic—restricting issuance	L-32.....	3-18-42	Until rev.	
LOCOMOTIVES: a. Specific locomotive construction	P-20 Ext.....	3-16-42	4-30-42	A-3.
b. Material for repair and rebuilding	P-21 Ext.....	3-16-42	4-30-42	A-3.
MAINTENANCE AND REPAIR: a. Priority assistance for maintenance and repair of refrigerating equipment in stores and restaurants.	P-100 Amend. #2	3-9-42		
b. Durable office equipment may not be ordered with preference rating assigned in P-100.	P-100 Int. #2	3-23-42		
c. Railroads: 1. Given broader priority assistance for critical materials.	P-88.....	3-16-42	Until rev.	A-8, A-1, A-3.
d. To assist producers and basic fabricators of aluminum and magnesium.	P-120.....	3-20-42		A-1-a, A-1-c, A-1-j.
METAL HOUSEHOLD FURNITURE: a. To restrict production	L-62.....	3-20-42		

Subject	Order No.	Related form	Issued	Exp. date	Rating
METAL PLASTERING BASES AND METAL PLASTERING ACCESSORIES: a. To curtail production	L-59		3-25-42	Until rev.	A-10 or higher.
METAL WINDOWS—To restrict production and direct distribution.	L-77		3-25-42		
MOLYBDENUM—To restrict production.	M-110	PD-358, PD-359	3-18-42	12-31-42.	
MOTOR CARRIERS: a. Material entering into production of defense products: 1. Defining and extending deliveries and delivery dates.	Ext. #4 to P-54 as amended.		3-6-42	4-30-42.	A-3.
b. Extending ban on "bright work"	L-69		3-14-42.		
MOTOR FUEL: a. To restrict delivery	L-7	PD-368, PD-369	3-14-42	Until rev.	
OFFICE MACHINERY: a. To curtail production	L-54-a		3-17-42	Until rev.	
b. Revokes L-54.	L-54-b	PD-1A, PD-3, PD-3A	3-14-42	Until rev.	
c. Modifications of restrictions.	L-54-b, Amend. #1	PD-1A, PD-3, PD-3A	3-24-42		A-9 or higher.
PALM OIL—To conserve supply and direct distribution	M-50	PD-355	3-20-42	Until rev.	
PETROLEUM: a. Material for production, transportation, refining, and marketing: 1. Certain office supplies and automotive equipment included in list to which preference rating may be extended.	P-98 amended and extended.		3-14-42	5-15-42	A-1-a, A-1-c, A-2, A-8, A-10.
b. Restrictions on use of materials in marketing.	M-68-c Amend.	PD-215	3-23-42	Until rev.	A-2 or higher.
PLUMBING AND HEATING: a. Elimination of metal jackets, fusible plugs, and tricocks from low-pressure heating boilers after 6-1-42	Schedule #3 to L-42		3-7-42.		
b. Further requirements for producers of cast-iron soil pipes and fittings.	Schedule #4 to L-42		3-16-42.		
c. Simplification of plumbing-fixture fittings.	Schedule #5 to L-42		3-23-42.		
PRODUCTION REQUIREMENTS PLAN: a. Permits use of ratings assigned by other certificates to obtain material not regularly carried in stock.	Amend. to P-90	PD-23-f	3-10-42.		
PROJECTS (Defense): a. Road Projects—material for construction: 1. Eliminates extension of preference ratings granted road projects to the purchase of road-building machinery and equipment.	P-19-e, Amend. #1	PD-1A, PD-81	3-6-42		As assigned.
RADIOS AND PHONOGRAPHS: a. Further restricting and finally prohibiting production of radio receivers and phonographs.	L-44-a		3-7-42.	Until rev.	
RAPSEED OIL—To conserve supply and direct distribution.	M-77	PD-39	3-23-42	Until rev.	



Subject	Order No.	Related form	Issued	Exp. date	Rating
TYPEWRITERS—To restrict delivery: a. New and used typewriters: 1. Permits transfer for Civil Service Exams, and loans while repaired. b. Further delegation of authority to OPA for rationing.	L-54 Amend. #1..... L-54 Suppl. Dir., No. 1D..... L-54-a.....	..... ..... PD-365.....	3-7-42..... 2-5-42..... 3-17-42.....	..... ..... Until Revo.....	.....
VEHICLES—Materials for production: a. Armored half track..... Wool PUTP—To conserve supply and direct distribution: a. Places wood pulp industry under allocation system.	P-35 Ext..... M-93.....	PD-81..... PD-290, PD-291, PD-292.....	3-16-42..... 3-12-42.....	5-31-42..... Until Revo.....	.....
b. Modification of inventory control..... Wool—To curtail use: a. Assigns A-10 to officers' uniforms..... b. Curtails use in nondense on worsteds and extended.	M-93 Amend. #1..... M-73 Amend. #1..... M-73 as amended and extended..... M-73 Amend. #3..... M-73 Amend. #2..... Amend. #1 to M-73 as amended and extended.....	..... ..... ..... ..... ..... .....	3-21-42..... 2-24-42..... 2-25-42..... 3-10-42..... 3-16-42..... 3-16-42.....	..... 7-4-42..... ..... ..... ..... .....	A-10..... A-10.....
c. Fabrics for officers' uniforms..... d. Quotas for rayon staple fiber producers..... e. Quotas for second quarter..... f. Provisions for blanket manufacturers.....	..... ..... ..... .....	..... ..... ..... .....	..... ..... ..... 3-25-42.....	..... ..... ..... .....	.....
g. O. D. Wool Clips, Rags and Wastes..... h. Shearings: 1. Changes "Bradford Count"	..... ..... .....	..... ..... .....	..... ..... 3-10-42..... 3-16-42.....	..... ..... ..... .....	.....

## PRIORITIES REGULATIONS

No.	Subject	Issued
Priority Reg. No. 1..... a. Interpretation No. 1..... b. Priority Reg. No. 1—revocation of interpretation No. 1..... Priority Reg. No. 8..... a. Amendment No. 1.....	Companies engaged in seasonal operations will not be violating the regulation if they refrain from hoarding and if deliveries received for inventory are no greater and no farther in advance than those normally accepted to meet anticipated requirements. Section 944.14 defining the phrase "practicable minimum working inventory" with respect to inventories of wood pulp revo- ked. The elimination of all unnecessary duplicating reports..... Restores requirement that reports be submitted in accordance with the terms of Preference Rating Order P-56.....	3/9/42..... 3/21/42..... 3/17/42..... 3/19/42.....



## SUSPENSION ORDERS

Company	Order No.	Violations	Penalty	Issued Exp. Date
Stearns-Mishkin Construction Co., Inc., and Matthew G. Lepley, Architect, Wash., D. C. National Parts Corp., Chicago, Illinois	S-13 and S-15 S-16	Misrepresentations of sale prices pursuant to preference rating order P-55. Accepted deliveries and made shipments for nondefense purposes, in violation of Supplementary Order M-1-c.	Suspension of all priority assistance. Suspension of all aluminum operations.	3/21/42-3/1/43. 3/12/42-5/12/42.
Atlas Brass and Aluminum Foundry, Chicago, Illinois.	S-17	Acceptance and delivery of nonpreference rated high-grade aluminum scrap in violation of General Preference Order M-1-a and M-1-c.	Suspension of all aluminum operations.	3/12/42-5/12/42.
Silverstein's Tire and Battery Service, Inc., 25 Hudson Avenue, Albany, New York.	S-1 of revised Tire Rationing regulations.	Willful violation of tire regulations by selling new tires and tubes to unauthorized purchasers.	Suspension of all tire and tube transactions.	

## MISCELLANEOUS ORDERS

Order No.	Subject	Issued	Effective
General Order O. D. T. No. 1—Merchandise Traffic. General Order O. D. T. No. 2—Substitution of Motor Vehicle for Rail Passenger Service.	Fixes weight limits on less-than-carload freight. Prohibits local transit and railroad companies from substituting bus service for street car or train service on existing rail routes.	3/24/42 3/25/42	5/1/42. 4/1/42.

EXHIBIT No. 495

WAR PRODUCTION BOARD

DIVISION OF INFORMATION

For Immediate Release, Saturday, April 4, 1942

WPB 785

Attached is the fourth of a series of weekly supplements to be used with the printed compilation of priority orders and forms issued by the Division of Information and called PRIORITIES IN FORCE.

This supplement adds to the revised publication the orders issued for the period March 25 through April 1. A new booklet is in process which will merge the revised booklet and its corresponding supplements in one complete alphabetical listing, and will be available in about two weeks.

A mailing list has been established by the Division of Information for the weekly distribution of these supplements.

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
ALCOHOL: a. Methyl 1. Assigns preference ratings to shipments in classifications I and II of M-25.	M-31 Amend. No. 4.		3- 1-42		B-2; B-3.
ANTIMONY: a. Allocation Order	M-112	PD-380, 381	3-30-42	12-31-42.	
ASBESTOS TEXTILES: a. Conservation Order	M-123		3-30-42		A-10 or higher.
CANNING: a. Maintenance and expansion of plants canning fruits and vegetables: 1. Canneries who use leased machinery entitled to same preference ratings as if they owned the machinery.	P-115 Int. No. 1	PD-81a, 285	3-27-42.		
CASKETS, SHIPPING CASES AND BURIAL VAULTS: a. Curtails use of certain metals in manufacture.	L-64		3-28-42.		
CHEMICALS: a. Materials for maintenance, repair, and operating supplies: 1. Further clarification of "operating supplies": b. Solvents (Chlorinated Hydrocarbon): 1. Extension c. Chlorine: 1. Postpones effective date to May 1, 1942	P-89 as amended, Int. No. 1. M-41 Ext. No. 1 M-19 as amended, Amend. No. 2.		3-27-42. 3-30-42 3-30-42	5-15-42. Until rev. Until rev.	A-10 or higher.
CHROMIUM—To conserve supply and direct distribution: a. Supplementary Order: 1. Limits use of chromium in chemicals	M-18-b L-68	PD-54	3-26-42 3-18-42.		
CLOSURES AND ASSOCIATED ITEMS: a. Prohibits use of copper and copper base alloy, steel, zinc and zinc base alloy in manufacture of certain items.	M-9-c as amended, Int. No. 2.		3-28-42.		
COPPER: a. Clarifies use of bronze powder, ink, paste and lead by printing and publishing industry. b. Supplementary Order: 1. Permits public utilities to use in own operations wire or cable that has become scrap through obsolescence; provided lengths are in excess of five feet and monthly total less than 5 tons.	M-9-b as amended and extended.	PD-121, 130, 226, 249	3-31-42	Until rev.	
COPPER: a. To insure equal distribution COTTON (Egyptian, Imported): a. Conservation Order: 1. Restricts sale, use, and delivery of certain grades of imported Egyptian cotton to defense orders and sewing thread.	M-8-a Amend. No. 1. M-117	PD-384	3-26-42 4-1-42.	Until rev. Until rev.	
DYESTUFFS: a. Conservation Order	M-103		3-28-42	Until rev.	

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
ELECTRICAL APPLIANCES: a. Discontinues use of critical materials in manufacture; after May 31 production halted except orders rated higher than A-2.	L-65	PD-370	3-30-42	Until revo.	Varies.
FARM MACHINERY AND EQUIPMENT: a. Material for production: 1. Includes irrigation equipment and increases manufacturing percentage quotas of various types of machinery.	P-95 Amend. No. 1		3-30-42		A-3.
b. To restrict production: 1. Additional equipment not included in original program.	L-26 Amend. No. 1		3-30-42		
FLASHLIGHTS: a. Cases and Batteries: 1. Prohibits use of critical materials in production of	L-71		3-27-42	Until revo.	
GLYCERINE: a. Delivers in excess of 50 pounds a month placed under allocation control.	M-58	PD-361, 362, 363	3-30-42	Until revo.	
GOATSKINS, KIDSKINS AND CABRETTA: a. Conservation Order	M-114	PD-373	3-30-42		
HONEY: a. To conserve present stocks	M-118		3-26-42		
KITCHEN, HOUSEHOLD AND OTHER MISCELLANEOUS ARTICLES: a. Curtails use of iron, steel and zinc in manufacture of certain kitchen, household and miscellaneous articles.	L-30		3-31-42	Until revo.	
LABORATORY EQUIPMENT AND REAGENT CHEMICALS: a. Material for production 1. Extension; amended to abolish PD-93	P-62 P-62 Ext. No. 1, Amend. No. 1.	PD-93	11-15-41 3-30-42	3-31-42 6-30-42.	A-5.
LAURIC ACID OILS: a. Correction	M-60		3-31-42		
LAWN MOWERS: a. To curtail production: 1. Iron and steel used in manufacture cut in half; prohibits entirely manufacture after June 30.	L-67		3-30-42		
LEAD: a. Supplementary Order: 1. April lead pool set at 15 percent of Feb. 1942	M-38-g		3-30-42		
MANILA CORDAGE: a. Cordage manufacturer need not include in sales quota defense orders placed and ready for delivery prior to 3-2-42 but which could not be delivered by then for reasons beyond his control.	M-36 Amend. No. 5		4-1-42		
METAL SIGNS: a. Curtails use of steel and iron in manufacture	L-29		3-23-42	Until revo.	
MOLASSES: a. Operational changes made	M-54 as amended		3-27-42	Until revo.	



Until rev.	3-30-42	PD-27	M-6-as amended and extended.
	3-27-42.		L-54-a Amend. No. 1.
	3-28-42		L-73
	3-27-42.		L 80
	3-30-42.		Schedule No. 6 to L-42
	3-30-42.		Schedule No. 7 to L-42
	3-30-42.		L-46 Amend. No. 1.
	3-30-42.	PD-344	M-53
	6-30-42	PD-345	P-64
	3-28-42.		L-5-c Amend. No. 3
	3-26-42.		L-5-b Amend. No. 2
	3-27-42.		L-5-c Amend. No. 2
	3-30-42.		L-7-b
	3-25-42		P-24 Amend. No. 1 and Ext. No. 2
	3-27-42.	PD-376, 377, 378	M-109
	3-30-42.		M-15-b Amend. No. 7
	3-28-42.		M-15-b-1
	3-28-42.		M-124

Subject	Order No.	Related Form	Issued	Exp. Date	Rating
STEEL AND IRON: a. Corrosion and heat resistant Chrome Steel.....	M-21-d Amend. No. 1.....	-----	3-27-42	-----	A-1-k or higher.
b. Pig Iron: 1. Complete allocation of pig iron supplies.....	M-17 Amend. No. 2 and Ext. No. 2.....	PD-69,70,71,71d.....	3-28-42	Until rev.	
SUGAR.—To conserve supply and direct distribution: a. Refiners may fulfill sugar requirements of beekeepers and the USO without charge to their quotas.....	Amend. No. 2 to M- 55 as amended and extended.....	-----	3-26-42	-----	
b. Supplementary Order: 1. Restrictions on primary distributors.....	M-55-c.....	-----	3-27-42	12-31-42.	
c. Supplementary Order: 1. Definitions of zones.....	M-55-d.....	-----	3-27-42	12-31-42.	
d. Supplementary Order: 1. Sets quotas.....	M-55-e.....	-----	3-27-42	-----	
e. Supplementary Order: 1. Quotas for raw or invert direct-consumption sugar.....	M-55-f.....	-----	3-27-42	12-31-42.	
f. Supplementary Order: 1. Raises raw sugar for period Jan. 1 to Sept. 30, 1942.....	M-98-a amended.....	-----	3-27-42	-----	
TEA.—To restrict distribution: a. Places restrictions on deliveries and receipts.....	M-111.....	PD-374.....	3-27-42	-----	
b. Supplementary Order: 1. Quotas provided for.....	M-111-a.....	PD-374.....	3-27-42	-----	
TIN: a. Collapsible tin, tin-coated and alloy tubes. 1. Conservation Order: (a) Completely eliminates use for foods, cosmetics, and most toilet preparations.....	M-115.....	-----	4-1-42.	Until rev.	
TOOLS: a. Machine Tools: 1. Production and delivery of machine tools, gages, and chucks.....	E-1-A Amend. No. 1.....	-----	3-26-42.	-----	
b. Extension.....	P-77 Ext. No. 2.....	-----	3-31-42	5-1-42.	
TOYS AND GAMES: a. Production of toys and games made of metal, plastic, and other critical materials stopped after June 30.....	L-81.....	-----	3-30-42. (Eff. 4-1-42).	-----	
UTRUMES: a. Maintenance, repair, and supplies—materials necessary for.....	P-46 amended.....	-----	3-26-42	6-30-42	As assigned.
VACUUM CLEANERS (Domestic): a. Supplementary Order: 1. Production discontinued after Apr. 30.....	L-18-b.....	-----	3-30-42. (Eff. 4-1-42).	-----	
ZINC: a. Extension.....	Ext. of M-11 as ex- tended.....	-----	3-28-42	5-31-42.	
b. Supplementary Order: 1. Zinc pool for April.....	M-11-j.....	-----	3-28-42.	-----	

# SUSPENSION ORDERS

Company	Order No.	Violations	Penalty	Issued	Expiration date
Lubbock Hardware & Supply Co., Lubbock, Texas.	S-18	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Hunter and Havens, Inc., Bridgeport, Connecticut.	S-20	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Huron Steel Co., Detroit, Michigan.	S-21	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Gadson Hardware Co., Gadsden, Alabama.	S-22	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Genesee Bridge Co., Inc., Rochester, New York.	S-23	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
The Faeth Company, Kansas City, Missouri.	S-24	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Baker Steel and Tube Co., Los Angeles, Calif.	S-25	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Suspension of deliveries	3-27-42	6-30-42
Swedish Steel Mills' A. A., Inc., New York City, N. Y.	S-26	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
J. B. Beaird Corp., Shreveport, Louisiana.	S-27	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Austin-Hastings Company, Cambridge, Massachusetts.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
N. H. Bragg & Sons, Bangor, Maine.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Coulter, Sibbett & Burke, Los Angeles, California.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Suspension of deliveries	3-27-42	6-30-42
Dayton Hardware & Supply Co., Dayton, Ohio.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Delaware Hardware Co., Wilmington, Delaware.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Fable & Company, Philadelphia, Pennsylvania.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Fairmont Supply Co., Fairmont, West Virginia.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Pollak Steel Company, Cincinnati, Ohio.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Ross-Frazier Iron Co., St. Joseph, Missouri.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Chas. G. Stevens Company, Chicago, Illinois.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42
Stratton & Tersege Co., Louisville, Kentucky.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Suspension of deliveries	3-27-42	6-30-42
Super Steels, Inc., Cleveland, Ohio.	S-28	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Suspension of deliveries	3-27-42	6-30-42
Penn. Metal Company, Inc., Los Angeles, California.	S-29	Acceptance of deliveries in excess of its quota pursuant to Supplementary Order M-21-b.	Reduction of deliveries	3-27-42	6-30-42

EXHIBIT No. 496

WAR PRODUCTION BOARD

DIVISION OF INFORMATION

[For Immediate Release, Friday, April 10, 1942]

WPB 866

Attached is the fifth in a series of weekly supplements to be used with the printed compilation of priority orders and forms issued by the Division of Information and called **PRIORITIES IN FORCE**.

This supplement adds to the revised publication the orders issued for the period April 1 through noon, April 9, 1942. A new booklet is in process which will merge the revised booklet and its corresponding supplements in one complete alphabetical listing, and will be available in about two weeks.

A mailing list has been established by the Division of Information for the weekly distribution of these supplements. Copies may also be obtained from Room 1501, Social Security Building.



Subject	Order No.	Related form	Issued	Expiration date	Rating
<b>BICYCLES:</b> a. Supplementary Order—to restrict sale and delivery of new adult bicycles. 1. Includes all bicycles having frames of more than 17 inches.	L-52-a..... L-52-a Amend. No. 1.....	----- -----	4-2-42. 4-7-42.		
<b>BURLAP AND BURLAP PRODUCTS:</b> a. Eases restrictions on receipts of burlap by bag users; removes restrictions on importation of burlap into this country.	M-47 Amend. No. 4.....	-----	4-4-42.		
<b>CLOSURE ENAMEL:</b> a. Conservation Order: 1. Limits use of enamel coatings for glass container tops....	M-116.....	-----	4-4-42.		
<b>CONSTRUCTION:</b> a. Conservation Order: 1. Prohibits the start of unauthorized construction projects which use material and construction equipment needed in the war effort; places all new publicly and privately financed construction under rigid control.	L-41..... PD-200, 200A.....	----- -----	4-9-42.		
<b>COPPER:</b> a. Supplementary Conservation Order: 1. Jewelry industry granted until May 15 to use up such of its copper in inventory as has been plated or alloyed with gold or silver. b. All stocks of copper screening in the U. S., including uncut rolls in hands of retailers, frozen.	M-9-c-2..... Amendment to M-9-c (as Amend. 12-10-41)	----- -----	4-4-42. 4-9-42.		
<b>COTTON DUCK:</b> a. Releases from all restrictions cotton duck of any width, weight, or construction manufactured in rug and carpet mills and on looms heretofore producing drapery or upholstery.	M-91 Amend. No. 1.....	-----	4-3-42.		
<b>ELECTRIC HEATING PADS—To restrict production:</b> a. Prohibits use of chromium and curtains use of rubber, nickel, and electrical resistance material in manufacture.	L-84.....	-----	4-4-42.....	Until rev.	
<b>FEMININE APPAREL:</b> a. Stabilizes for the duration the present length and fullness of skirts, sleeves, etc.	L-85.....	-----	4-8-42.		
<b>FLUORESCENT LIGHTING FIXTURES:</b> a. Production ended immediately except for essential uses or on contracts accepted prior to today on which work has begun.	L-78.....	-----	4-2-42.....	6-30-----	A-2 or higher.
<b>FURNITURE (Metal Office):</b> a. Supplementary Order: 1. An end to the manufacture of virtually all types of metal office furniture and equipment ordered.	L-13-a.....	-----	4-1-42.		
<b>GENERAL IMPORTS ORDER:</b> a. Keeps private purchasers out of foreign markets for critical materials.	M-63 Amend. No. 4..... PD-222-c.....	----- -----	4-8-42. (Eff. 4-9-42).		
<b>LEAD:</b> a. Prohibits use of lead foil for cigarette packaging on May 1; changes in list "A" and "B".	M-38-c Amend. No. 1.....	-----	4-6-42.		

Subject	Order No.	Related Form	Issued	Expiration date	Rating
<b>LEATHER (Sole):</b> a. Control established of 80 percent of all available stocks of manufacturers type cut outer and inner shoe soles of mili- tary weight and quality.	M-80 Amend. No. 1.		4-1-42.		
<b>LIQUEFIED PETROLEUM GAS EQUIPMENT:</b> a. Prohibits installations of new liquefied petroleum gas equip- ment except those used in transportation and refining.	L-86.	PD-397.	4-8-42.	Until Revo.	
<b>LOOFA SPONGES:</b> a. Conservation Order: 1. Restricts deliveries to orders bearing A-1-a rating.	M-125.		4-8-42.		A-1-a or high- er.
<b>MOTOR CARRIERS:</b> a. Trucks, Truck trailers and passenger cars: 1. Establishes separate definition for off-the-highway trucks.	L-1-a Amend. No. 5.		4-2-42.		
b. Permits mfgs. to assemble fabricated or semi-fabricated materials on hand 2-28-42 in either knock-down or built-up form to provide est. 23,000 additional vehicles.	L-1-a Amend. No. 6.		4-2-42.		
c. Establishes separate definition for off-the-highway trucks.	P-54 Amend. No. 3.		4-2-42.		
d. Motor Trucks, Truck Trailers and Passenger Carriers: 1. Extended to enable producers of medium and heavy trucks to obtain materials necessary to complete authorized production quotas.	P-54 Ext. No. 5. (Eff. 3-1-42).		4-7-42.	5-31-42.	A-3.
e. Supplementary Order: 1. Producers granted additional 30 days until April 30 to complete Feb. quotas; until May 31 for March quotas.	L-1-f.		4-2-42.		
<b>MOTOR FUEL:</b> a. Cuts percentage of deliveries of gasoline to service stations and bulk consumers in areas where curtailment is in effect.	L-70 Amend. No. 1.	PD-368.	4-8-42. (Eff. 4-16-42).		
<b>OFFICE MACHINERY:</b> a. Typewriter manufacturers can produce some parts and sub- assemblies in economic manufacturing lots, even though it results in production in excess of established quotas for com- pleted typewriters.	L-54-a Int. No. 1.		4-3-42.		
<b>PLUMBING AND HEATING:</b> a. Certain types of pipe fittings required for shipbuilding have been exempted.	L-42 Amend. No. 1 to Schedule No. 2.		4-4-42.		
b. Plumbing Fixture Fittings and Trimmings: 1. Additional articles for which use of copper or copper base alloy prohibited.	L-42 Schedule No. 5-a.		4-9-42.		
<b>QUININE:</b> a. Conservation Order—to conserve supply and direct distribu- tion.	M-131.	PD-401.	4-4-42.		

RAILROAD EQUIPMENT:	a. Locomotives; I. Prohibits production or delivery except in accordance with announced schedules.	L-97.	4-4-42.	Until rev.
	b. Railroad Cars: I. Prohibits production or delivery except in accordance with announced schedules	L-97-a.	4-4-42.	Until rev.
RUBBER:	a. Rubber Yarn and Elastic Thread: I. Knitters, weavers, and other users permitted to use rubber yarn and elastic thread by meeting certain requirements.	M-124 Amend. No. 1.	4-1-42.	
	b. Permits manufacture of pass. car capping stock entirely from reclaimed rubber together with a small quantity of crude for cushion stock.	M-15-b-1 Amend. No. 3	4-3-42.	
c. Rubber Sealed Closures For Glass Containers: I. Conservation Order: a. Prohibits use of rubber on containers for packaging more than 40 groups of products effective in 30 days.		M-119.	4-9-42.	Until rev.
		L-95.	4-9-42.	Until rev.
SANTARY NAPKINS: a. Reduces amount of cotton gauze and wood cellulose in sanitary napkins. SHIPS (Merchant): a. Restricts preference ratings to certain materials and tools.		P-7 Int. No. 1.	4-3-42.	
	SUGAR (Direct Consumption): a. Cannons and packers may obtain quota-exempt sugar under M-55 in amounts needed for first processing of fruits and vegetables; sugar needed for secondary processing not quota-exempt. SUGAR (Direct Consumption): b. Additional sugar quotas for April granted to more than 40 defense areas whose population has increased 10 percent or more during the past year.	M-55 Int. No. 2 (as amend.)	4-4-42.	
SUPPLIERS' ORDER: a. Revocation of order (Revoked by L-63). b. Strictly limits inventories of 19 kinds of supplies.		Issued by letter pursuant to M-55 and M-55-o.	4-8-42.	
		M-67	4-6-42.	Until rev.
TIN: a. Regulations governing tin usage revised. b. Tinplate and Terneplate: Limits packing of condensed soups in tinplate after June to certain specified kinds.		L-63 (Revokes M-67) PD-336 (PD-1X).	4-6-42.	
		M-43-1-a Amend. No. 1 (as amended)	4-4-42.	
c. Tin Closures: I. Conservation Order a. Use of tinplate and terneplate as closures for glass containers brought under control.		M-81 Amend. No. 1.	4-6-42.	
		M-104.	4-3-42.	

Subject	Order No.	Related form	Issued	Expiration date	Rating
TOYS AND GAMES: a. Takes Certain colors, oils and chemicals out of the category of prohibited material. TRACK-LAYING TRACTORS: a. Immediate and drastic curtailment in output of smaller types used principally in agricultural operations.	L-81 Amend. No. 1	-----	4-6-42.		
WASTE PAPER a. General Inventory Order: 1. Permits manufacturers of paper, paperboard, and paper products who consume waste paper to accumulate inventories without restriction.	L-53-a	-----	4-9-42.		
WOOL: a. O.D. wool clips, rags and wastes; 1. Certain types of olive drab wool wastes excluded from restrictions of M-87. b. Clarifies "putting into process" of tops on any system other than the worsted system.	M-129	PD-240	4-6-42	Until revo.	
	M-87 Amend. No. 1	-----	4-2-42.		
	Amend. No. 3 to M-73 (as amend. and Ext. 7-4-42).	-----	4-8-42.		

## SUSPENSION ORDERS

Company	Order No.	Violation	Penalty	Issued	Expiration date
Hoover Company, North Canton, Ohio.	S-14	Made shipments of aluminum for unauthorized purposes and under unauthorized toll agreements; accepted deliveries of scrap aluminum to which no preference rating had been assigned. Sold or exchanged five cases of reserved rayon yarn which had been allocated to it in violation of M-37-a.	Suspension of all manufacturing operations calling for use of aluminum ten days after issuance of order.	4-6-42	7-6-42.
David Ritter, Inc., 1239 Broadway, New York, N. Y.	S-30	Accepted transfer of the yarn from David Ritter, Inc., although not entitled to such acceptance.	Enjoined from accepting any deliveries of yarn; no deliveries to them of other material or equipment will be granted preference ratings.	4-6-42	6-21-42.
Jesam Yarn Co., 1239 Broadway, New York, N. Y.	S-31	Accepted transfer of the yarn from David Ritter, Inc., although not entitled to such acceptance.	Enjoined from accepting any deliveries of yarn; no deliveries to them of other material or equipment will be granted preference ratings; further enjoined from making any deliveries of reserved rayon yarn.	4-6-42	6-21-42.



## EXHIBIT No. 497

PERTINENT INFORMATION CONCERNING MAJOR L ORDERS INDUCING  
CONVERSION TO WAR PRODUCTION ISSUED SINCE MARCH 16, 1942

No.	Subject	Approximate date of first draft	Date of Issuance
L-6-c.....	Stopping production of Domestic Laundry Equipment <sup>1</sup> .....	3-6-42.....	3-17-42.
L-7-b.....	Restriction of production of Domestic Non-Mechanical Ice Refrigerators.....	3-15-42.....	3-30-42.
L-13-a.....	Limitation rate of production and prohibits production of certain items after May 31.....	3-20-42.....	
L-18-b.....	Prohibits the production of Domestic Vacuum Cleaners after April 30 <sup>1</sup> .....	3-16-42.....	3-30-42.
L-21-a.....	Cutting off production of Automatic Phonographs, Weighing, Amusement, and Gaming Machines <sup>1</sup> .....	3-3-42.....	3-16-42.
L-27-a.....	Vending Machine Production prohibited <sup>1</sup> .....	3-3-42.....	3-17-42.
L-29.....	Cutting off production of metal signs.....	1-1-42.....	3-25-42.
L-30.....	Reducing the rate of production and eliminating various kitchen and household utensils <sup>1</sup> .....	12-24-41.....	3-31-42.
L-32.....	Restricting issuance of metallic license plates.....	1-3-42, 3-12-42.....	3-18-42.
L-33.....	Restriction in rate of production of lamps and shades.....	1-3-42, 3-4-42.....	3-24-42.
L-49.....	Restriction of production of bedsprings and mattresses.....	2-10-42.....	3-20-42.
L-54-a.....	Restriction on production of typewriters.....	3-4-42.....	3-17-42.
L-59.....	Restriction on use of metal in plastering bases and plastering accessories.....	3-5-42.....	3-25-42.
L-62.....	Prohibiting production of metal household furniture after May 31.....	2-21-42.....	3-20-42.
L-64.....	Prohibition of production of metal caskets, shipping cases, and burial vaults after June 30 <sup>1</sup> .....	2-21-42.....	3-28-42.
L-65.....	Curtailling in production of electrical appliances except for high preferred orders <sup>1</sup> .....	2-28-42.....	3-30-42.
L-67.....	Cutting off production of lawn mowers after June 30.....	2-21-42.....	3-30-42.
L-68.....	Limitation on use of metal enclosures and associated items.....	2-28-42.....	3-28-42.
L-71.....	Limitation of use of metals in flashlight cases and batteries.....	2-13-42.....	3-27-42.
L-72.....	Restriction of production of razor blades and razors.....	3-12-42.....	3-25-42.
L-73.....	Curtailling of use of iron and steel in metal office supplies.....	3-14-42.....	3-28-42.
L-77.....	Prohibition of manufacture of metal windows except on high preferred orders.....	3-12-42.....	3-25-42.
L-80.....	Restriction of production of outboard motors and parts except to fill preferred orders.....	3-4-42.....	3-27-42.
L-81.....	Restriction on production of metal toys and games—production cut off after June 30 <sup>1</sup> .....	3-11-42.....	3-30-42.
L-83.....	Prohibits all production of industrial machinery except for high preferred orders.....	3-12-42.....	4-9-42.

<sup>1</sup> Indicates orders for total production shut-down.

## EXHIBIT No. 498

To: Mr. Donald M. Nelson, Chairman.  
From: John Lord O'Brian, general counsel.  
Re report on the charges of Robert R. Guthrie.

This is in reply to your request that I personally investigate the charges recently published by Mr. Robert R. Guthrie and report to you the facts.

The War Production Board operates in part through 42 commodity sections and industry branches. In setting up these branches, an effort is made to select as chief of the branch an able and impartial executive having no present connection with the industry represented by the branch. The staff of each branch consists of representatives of the Divisions of Labor, Civilian Supply and Priorities, and the Bureau of Conservation acting as consultants, together with a group of consultants drawn from the particular industry. If problems appear to have a special effect upon the Department of War, Navy, or other Government agencies, it is customary for the branch chief to call in advisers from those respective agencies as well. The branch chief alone is charged with the responsibility of making final decisions; he may accept or reject advice given by the members of his staff; he has power to appoint deputies or consultants, and also has the power to remove any or all of them as he deems advisable.

The charges made by Mr. Guthrie pertain chiefly to the operation of the Textile Branch, which is one of the 42 branches of the War Production Board,

and in particular to that attitude of 6 or 7 of the 42 consultants in that branch. In a more general way, the charges also criticize the work of the Durable Goods Branch in preparing two orders limiting the production of radios and refrigerators, respectively.

#### HISTORY

In September 1941 Guthrie was appointed on a dollar-a-year basis Chief of the Textile, Clothing, and Equipage Branch, at that time located in the Division of Purchases. When the organization of the Office of Production Management was revised in December, Mr. Reed was made special assistant to Director General Knudsen and Associate Director General Hillman as a supervisor of some of the industry branches. After the creation of the War Production Board (January 16, 1942), a new Bureau of Industry Operations was set up of which Mr. Reed was made the chief. In the reorganization which followed he appointed Amory Houghton as his deputy and later appointed Mr. Guthrie and two others as assistant chiefs to aid him in supervising the work of the three groups into which he divided all of the industrial branches. Guthrie, retaining his post as Chief of the Textile, Clothing, and Leather Branch (hereafter sometimes referred to as the Textile Branch) thereafter, on January 23, became assistant chief of the bureau having supervision over three other branches as well. Reed at this time was engaged both in organizing the over-all work of the bureau as a whole and also reorganizing the separate branches.

When he took over there were 12; he has split these up into 24. At the time he appointed Guthrie assistant chief, he told him that the arrangement for him to act in the double capacity would be temporary. Early in February he discussed with Guthrie a proposal to divide the Textile Branch into two new branches, leaving Guthrie as chief of Clothing and Leather and making a new appointment for the new Textile Branch. Guthrie was opposed to this. Guthrie had meantime appointed as his executive assistant in the Textile Branch George P. Doherty, recently an economic analyst of the Department of Agriculture, and as his deputy Marshall Hale, Jr., who had had experience in the management of chain stores.

Late in February Reed first learned that there was serious trouble in the Textile Branch, growing out of the relations of Mr. Guthrie and his deputies, with Walton, Marriner, and some other consultants in that branch drawn from industry. He immediately took this up with Guthrie but the friction continued. Numerous complaints were being made that Guthrie took a suspicious attitude toward everyone drawn from industry, and both Guthrie and his deputies frequently made insinuations of this character. On February 25, J. A. Rice, the representative of the Purchases Division of the War Production Board, who works with and out of the office of The Quartermaster General, notified several officials of the War Production Board that the Army was about to promulgate the largest procurement program in history; that he was unwilling to submit this program to the Textile Branch because of the general demoralization there. He asked that the heads of the War Production Board take an immediate action to put an end to the conflicts and confusion. At about the same time one of the leading consultants of the Textile Branch complained to Mr. Reed and stated that others had threatened to resign, asserting that because of Mr. Guthrie's insinuations, interference, and poor management, they could not get their work done efficiently.

On February 28 Reed told Guthrie that he had become convinced that they could not work well together because of Guthrie's general attitude of suspicion and distrust, and on March 2 he retired Guthrie from the post of assistant chief. At the same time he discussed with Guthrie the serious situation in the textile branch, again suggested that the branch be divided, and urged Guthrie to make every effort to straighten out both the branch and his relations with the branch. Guthrie, during the next 10 days, endeavored to meet the situation by a proposal to remove Walton from his position as administrative head of the branch and make him an adviser to himself. This was resented by Walton and his associates, and Walton again offered his resignation. (He had previously offered to resign in December but had been prevented by Mr. Douglas MacKeachie, although Mr. Guthrie had announced the resignation to the branch.) Colonel Stevens of the Quartermaster's Office objected to Walton's resignation because of his confidence in Walton's knowledge and his distrust of Guthrie's competency in this field. Efforts to compose these disputes caused a deadlock, as a result of which, Reed being away, Houghton, after a consultation with Knowlson and Nelson, notified Guthrie

on March 13 that it had been decided to divide the textile branch, leave Guthrie in charge of leather and clothing branch and bring in an entirely new man from the outside to head up the textile branch. He asked that Guthrie assist him in finding a satisfactory man to head up the new textile branch. Guthrie said that this arrangement would be a humiliation to him and asked for time to think it over. The next day Guthrie, for the first time, talked with Mr. Nelson. Nelson told him that he was familiar with the facts; that he was convinced that Guthrie did not fit his present post; that he agreed with his subordinates that the proposed division of the branch should be made and a new man found for textiles. There was a long discussion between them and Guthrie handed to him written resignations of himself, Doherty, and Hale, and immediately thereupon issued a statement to the press attacking the industries and individuals below named.

No request was made and no indication had been given by Mr. Guthrie to Nelson, Reed, or Houghton that he desired to remove any member of the Textile Branch. In his press statement he complained that his efforts to secure conversion from normal business to wartime production had been opposed generally by the woolen, carpet, cotton duck, and nylon industries and also by certain members of his own staff who had business connections with these industries and who, he charged, were taking this course because of their own selfish financial motives. In a second statement issued to the press on March 16, Mr. Guthrie withdrew his previous charges that industries had opposed conversion to war production; later testified that he knew of no concern that had refused or failed to cooperate in the war effort (2985). He enlarged the charges made against certain consultants and employees of the War Production Board, asserting that they were "industry minded" and had unreasonably opposed his efforts to convert those industries to war production.

On March 16, the Chairman of the War Production Board sent a letter to Senator Truman, requesting that the Special Committee Investigating the National Defense Program conduct an investigation into these charges, and at the same time asked the General Counsel of the War Production Board to make a personal investigation and report on the facts. A few days later a subcommittee of the House Committee on Military Affairs (below referred to as the congressional committee) instituted public hearings upon these charges which are still pending.

In conducting this investigation, some 30 individuals have been interviewed in an endeavor to ascertain all of the facts. A statement of their names and positions is annexed hereto.

#### THE CHARGES

*I. Refrigerators.*—In support of his general charge that dollar-a-year men in official positions favored the industry point of view and resisted conversion to war production, Mr. Guthrie in his testimony cited the history of the refrigerator order promulgated at the request of the Electrical Appliances and Durable Goods Branch. Neither the Chief of this branch, Mr. J. L. Maury, nor the Chief of the Refrigerator Section of this branch, Mr. W. S. Hammersley, were dollar-a-year men nor were they connected with the refrigerator industry. Both are salaried Government officials. Mr. Maury is an economist who had previously served the Government in the Securities and Exchange Commission; his original profession was that of a mining engineer. In 1935 and 1936 he had been an employee of the Stewart-Warner Co., then engaged in the manufacture of refrigerators. Mr. Hammersley's former business connection had been the New Jersey Zinc Co.

The conflict of opinion to which Mr. Guthrie refers in his testimony developed during January, and was ended by the issue of the limitation order of February 14. The final limitation order issued September 30, 1941, reduced the then current production by an average of about 43 percent. The quotas fixed by this order were reduced by another order issued December 4 after a meeting of the Industry Committee of the War Production Board. Mr. Hammersley was appointed Chief of the Refrigerator Section on January 14 and thereafter took an active part. There was no conflict as to the necessity of limiting production on refrigerators. The difference of opinion developed over the methods which should be followed in shutting off manufacture. The consultants who represented the Divisions of Labor and Civilian Supply were advising that a peremptory order be issued which would completely cut off manufacture March 31. Maury, Chief of the Branch, and Hammersley, with some of their other consultants, believed that conversion could be best accom-



plished by fixing a limitation date for the completion of existing quotas and then permitting manufacturers to submit individual appeals asking for extension of time based upon the state of their respective inventories, the speed with which they could convert their machinery to war production (or obtain the new tools for that purpose) and in general their ability to convert their plants to war production promptly. The advocates of the prompt shut-down has no faith in the appeal procedure, and thought that this arrangement would be too vague and any termination date fixed might mean very little.

All agreed that before the final shut-down that a supply of refrigerators must be provided for future use of Army and Navy, as well as for hospitals and other essential civilian uses. Opinions differed as to how many additional refrigerators above the existing supply should be manufactured for such a stockpile and whether a "freezing order" should be issued to obtain for this purpose stocks held by retailers as well as manufacturers, etc.

Originally, Hammersley and Maury favored April 30 as a termination date with a right of individual appeal thereafter which might permit most of the manufacturers to continue until June 30 or after. On January 17 or 18, Maury reported the differences of opinion to both Mr. Reed and Mr. Knowlson, and later asked Mr. Reed several times for his recommendation as to what should be done on the subject of appeals. In each case the only answer he received from either Mr. Reed or Mr. Knowlson was the recommendation that an Industry Advisory Committee meeting be called and have the matter threshed out there. Accordingly, the Industry meeting was held on January 26 with Maury presiding as Chief of the Branch. Mr. Guthrie had been appointed on January 23 supervisor over this and other branches, and he was present at the meeting. Practically all the industry representatives favored fixing a date for completing existing quotas and then allowing extensions by means of granting separate appeals which would enable each unit to work out of its present work into war work and at the same time use up parts and other material already fabricated. The consultants for Labor and Civilian Supply nevertheless adhered to their recommendation that a final shut-down date ought to be promptly fixed and the appeal procedure abandoned.

There were 16 units in the industry; 3 had already ceased the manufacture of refrigerators. Between January 26 and February 7 9 of the remaining 13 submitted to the branch appeals from the old quota order together with their plans for conversion. They had determined on the type of war products that they could make, and their machine tools and delivery schedules for this had been checked. The remaining 4 were in more serious positions for lack of the "know how" for new products, the smallness of their facilities, or the failure of the Army and Navy to recognize their capacity to take large contracts.

Following the industry meeting January 26 Maury and Hammersley gave consideration to appeals asking extension from the order issued December 4, which would expire on February 28. They tentatively reached the conclusion that under this appeal system they would fix final shut-down dates beyond April 30, with the bulk falling into June and July. One of the appeals had been filed by the Stewart-Warner Co. Because of its clean-cut facts, Maury and Hammersley took this case up first and decided to recommend the allowance of the appeal by granting the company an increased quota which would expire June 30, at which time the company would cease all manufacture. On February 5 Hammersley presented this formal recommendation by himself and Maury to Hewitt, who handled appeals in the Bureau of Priorities. Hewitt granted the appeal, and the order was promptly issued. Later on the same date Stein telephoned Mr. Katz his remonstrance to the adoption of this policy, whereupon Mr. Katz immediately recalled the order and took the matter up with Mr. Knowlson, who had not previously heard of it and did not know that there was such an appeal pending. Maury and Hammersley state that in making their recommendation they overlooked the fact that Mr. Knowlson, Director of Industry Operations, was an officer of Stewart-Warner, and they failed to see the implications which might result from granting such an order by his Division. At the direction of Mr. Knowlson, John Gregg, of the Priorities Division, immediately called a meeting, attended by Hammersley, Maury, and the representatives of Labor and Civilian Supply. After a heated discussion Mr. Gregg recommended to Mr. Knowlson that the policy of individual appeals be adopted as the correct procedure in the refrigerator industry. Mr. Weiner again protested, and another meeting was held, attended by Knowlson, Reed, Weiner, Blackwell Smith, and Matthiessen. Maury and Hammersley were not present.



Knowlson, in accordance with the policy he had laid down as Director of Industry Operations, ruled that if extensions of time were to be granted, they should not be dealt with on an individual basis, but that provisions of a general character should be made for this in the limitation order, thus insuring that any extensions necessary would be granted on a uniform basis. All present agreed on this and also that a final program should be worked out, providing for the Government's stock-pile requirements, fixing a shut-down date, freezing existing supplies, and that this program should be embodied in an order as promptly as possible. Knowlson then stated that he and Reed, because of their company affiliations, desired to avoid further participation in discussions on refrigerators.

On February 9, Reed, on Knowlson's selection, designated Thomas Evans, of Philadelphia, to act as an impartial consultant in the working out of this program and formulation of the limitation order. Evans was an expert in the field of refrigeration—at an earlier time he had manufactured domestic refrigerators, but had discontinued this and was now engaged in commercial refrigeration. For some time he had been acting as the Deputy Director of the Contract Distribution Branch of the War Production Board in Pennsylvania. On February 9, Reed separately notified Guthrie, Maury, and Hammersley that he and Mr. Knowlson had decided to disqualify themselves because of their respective companies who were engaged in the refrigerator business and that in place of both of them Mr. Evans would act as an expert adviser.

Apparently the decision made by Knowlson February 6 had not been communicated to Maury and Hammersley or else they misunderstood him. At a meeting held in Guthrie's office February 9, they suggested April 30 as a termination date with a right of individual appeal thereafter and suggested a freezing order which would include retail stocks. Evans, who had just arrived, stated that Mr. Reed had asked him to act as an impartial consultant and adviser; after listening to the discussion he opposed retail stock freezing, but agreed with the other suggestions of the branch. Guthrie opposed such a long delay because appeals might greatly extend the periods of permissible manufacture. Weiner proposed March 31 with no right of appeal. Guthrie agreed with him. Immediately thereafter Evans reported to Reed that the group were acting too hastily because in his opinion they did not have adequate statistics from which to determine the number of refrigerators which would be required for a Government stock pile, and that more accurate information should be obtained before attempting to fix a shut-down date. He also opposed as impracticable of administration the proposal to freeze refrigerators in the hands of retail dealers. Reed immediately telephoned these statements to Guthrie and suggested that a further discussion be had.

Evans and Hammersley started in at once to compile existing statistics and to get additional information by wire, and this continued for several days. At the next meeting (the one referred to in Guthrie's testimony), on February 11, there were present Guthrie, Evans, Hammersley, Maury, together with Dinegar and Stein of Civilian Supply and Mr. Seligman, deputy attorney for the branch. Rough estimates had now been made of the Government stock-pile requirements, and a draft of an order was submitted. The order proposed to permit manufacturers to use up their existing supplies in the production of refrigerators until March 31, and to permit them to appeal for extensions of time thereafter because of exceptional circumstances. No date was fixed for a final shut-down. The order also provided for freezing manufacturers' stocks, but not those of retail dealers. Stein objected to the appeal procedure; insisted that March 31 should be fixed as the final shut-down date and that no extensions thereafter should be granted. Hammersley, Maury, and Evans took the contrary view. Guthrie stated that the individual appeals system was the right solution and that he himself would handle the appeals. That Mr. Guthrie approved this procedure is confirmed by the memorandum written that day by Mr. Stein and transmitted by Mr. Henderson to Mr. Knowlson. This memorandum expressly states that the plan had the approval of Guthrie. Maury, as branch chief, was primarily responsible for the order about to be issued and Hammersley, as Chief of the Refrigerator Section, in a measure shared his responsibility. Both of them relied upon Guthrie's assurances and believed that their draft of the order had his full approval. Mr. Guthrie, however, testified before the congressional committee that while he had expressed approval of their proposed order, he had done this knowing that Mr. Weiner would oppose it and that the order would not get by. He also testified that he had previously agreed with Mr. Weiner on what should be done.

Mr. Henderson on February 12 sent to Mr. Knowlson the protest drawn by Stein. Knowlson immediately called into conference Guthrie, Reed, Weiner, and Evans. Adhering to his previous ruling, he reversed the recommendation of the branch chief and ruled that the proposed order must fix a preemptory and final shut-down date without appeals thereafter. Reed, Weiner, and Evans agreed on this ruling. On presentation by Evans of the statistics which he had assembled, all agreed that this date should be fixed at April 30 instead of March 31. (Under either date the Government would take over all refrigerators which might be manufactured. An industry meeting, called by telegram, was held February 14. An order was prepared and presented to this meeting freezing all stocks except those in the hands of retailers. Terms of this order were presented to the industry meeting and at the request of Maury and Guthrie, Evans informed the meeting of the terms of the proposed final order. The freezing order (L-5-b) was issued February 14. The final order was issued on February 23, prohibiting the manufacture of refrigerators after April 30 (Order L-5-c).

Guthrie testified that Reed told him to follow Evans' instructions. This is not in accord with Reed's statement nor with Evans' actions, because he stated in the various conferences that he was present in the capacity of an impartial consultant and it does not appear that at any time he undertook to give orders. Guthrie intimates that his demotion as Assistant Chief was due to his attitude on the refrigerator and radio orders. Other than his statement, there are no facts to support this assertion, and it is contradicted by Reed. The evidence indicates that both his demotion and the determination to divide the branch were due not to his conduct in connection with radios and refrigerators, but to the troubles in the Textile Branch.

**II. Radios.**—Neither Mr. Knowlson nor Mr. Reed took any part in the discussion or preparation of the orders limiting the production of radios. As early as August O. P. A. C. S. had made an order cutting down the amount of aluminum available for replacement parts to about 25 percent of its former use, and making no provision for new sets. In December the allocations for radios were cut down by the Aluminum Materials Branch of O. P. M. with the intention of reducing the use of aluminum for civilian sets in the first quarter of 1942 to about 25 percent of the aluminum which had been used for this purpose in the first quarter of 1940. Early in January the Radio Branch notified the Aluminum Branch that it intended to cut down the manufacture of radio sets for civilian supply. The Aluminum Branch replied that it was preparing to promulgate an order which would have the effect of prohibiting any new sets as distinct from replacement parts.

On January 9, Judge Patterson, Under Secretary of War, wrote to Mr. Knudson stating that it was essential that the commercial radio industry be kept going on commercial production to the extent necessary to hold together their operative forces until such time as the war orders of radios could be placed with the industry. He requested that the amount of aluminum adequate for this purpose and not more than that amount of aluminum, be allotted to this industry to prevent loss of skilled labor and disruption of facilities. The policy suggested by the Under Secretary was followed out. Mr. J. L. Maury was at this time Chief of the Durable Goods Branch which had jurisdiction over the Radio Industry. At a meeting of the Industry Committee on January 6, the draft of an order had been discussed, proposing to reduce the production of radios further. Such an order was issued on January 23 to cover the period to April 22, at which time it was expected that very large military orders would have been placed. This order restricted the production of large manufacturers for the ensuing 90 days to 55 percent of their quarterly production during the first 9 months of 1941 and restricted small manufacturers to 65 percent of the production in the same period.

Immediately following the issuance of this order, further discussions were had within the Branch and with members of the industry looking to the shut-down of the civilian production. January 23, the Aluminum Materials Branch issued a general conservation order prohibiting the use of aluminum for any except certain named purposes, but also providing in effect that manufacturers might use up all aluminum which had been allocated to them since October 31. The Durable Goods Branch were at this time working on a program for liquidation of the civilian manufacture of radios and called an industry meeting February 12 to discuss this plan. Guthrie had been appointed supervisor over this branch on January 25, but took no part in these discussions until February 11. At the industry meeting February 12, Guthrie read a statement an-

nouncing that the industry would be shut down, that manufacturers must confine their plans to war production, find something else to manufacture, or else be dispersed. Mr. Maury then presented the proposed order which had been agreed upon in the Branch and approved by Mr. Guthrie. This order fixed April 22 as the final shut-down date and permitted industries to submit requests or appeals for the right to manufacture in the meantime more sets than had been allocated by previous orders. This order automatically cut down the March allotment by providing that no new purchases of any material for radios could be placed after February 11 in an amount exceeding \$500.

Immediately thereafter Guthrie notified Mr. Berner (Chief of the Radio Section) that all aluminum should be cut out except for the seven large companies which stood at the top of the list with war orders. The Branch did not carry out this suggestion for the reason that three of these companies were not engaged in civilian production, and the other four did not need the aluminum, or at least needed it less than the remaining 48 companies. On its own initiative, the Aluminum Branch reduced the February allocation down to 52,000 pounds. Berner, the Radio Branch specialist, at this time requested the Aluminum Branch to stop the allocation of aluminum for the type of radio condensers which could be used in manufacturing new sets. Nevertheless, the Aluminum Materials Branch, being primarily interested in converting the condenser manufacturers, did make allocation in minimum amounts to tide over certain of these manufacturers during the process of the conversion to war production with the result that during March approximately 8,000 pounds was used by the condenser manufacturers.

The reduction in the use of aluminum appears to have been due to the action taken by the Radio Branch and the Aluminum Materials Branch, which had worked out their plans before Mr. Guthrie took part in the discussion. He had participated in none of these discussions prior to a conference held February 11 (the day before the Industry meeting). The last order referred to above was issued on March 7.

Seventy percent of the aluminum referred to above was secondary aluminum made from scrap and not the virgin aluminum used in airplane manufacturing. The total amount furnished in January, February, and March for commercial manufacture of radios was about six one-hundredths of 1 percent of the total amount of aluminum produced during that period.

III. *Textiles*.—The Textile Branch deals with approximately 20 major products: Wool, cotton goods (including cotton duck), carpets, nylon, burlap, etc. The staff consisted of about 42 consultants from the respective industries together with consultants from other War Production Board divisions. Mr. Guthrie makes general charges that six of these consultants named and J. A. Rice of War Production Board Purchases Division were "industry minded" and by their resistance slowed down the work of converting industries to war production. He criticizes especially the attitude of Walton, administrative head of the Textile and Fibers Section; Marriner, consultant on wool; Procter, consultant on cotton duck; and Rice, War Production Board adviser to the Quartermaster General on matters of textile procurement. He also named in this category Ames Stevens and Lt. Col. Robert P. Stevens, but made no specific charge against them. The representatives of Civilian Supply and Labor in this branch were, respectively, Alexis Sommaripa and C. O. Swayzee. All of these, except Procter, testified before the congressional committee. The acrimony which developed in the discussions between the members of the Textile Branch with Mr. Guthrie and his deputies, although not disclosed in the congressional hearing, makes it difficult to weigh all of the charges and counter-charges, some of which were puerile.

Aside from the personalities involved, one of the fundamental causes of trouble was the failure to organize this branch on a businesslike basis. Neither the consultants nor Guthrie and his deputies seem to have had a clear definition at any time of the scope of their respective powers or responsibilities. The confusion was heightened by other factors: Walton, whom Guthrie criticizes for lack of administrative experience and ability, had served in the Great War as a member of the quartermaster's staff doing the same kind of work that he was now doing in this branch. He had extensive acquaintance with members of the procurement branches of the Army and Navy and appears to have had their confidence to an unusual degree. When Marriner first came, he was also attached for 4 months to the Office of the Quartermaster General as consultant for the Purchases Division. He also had an extensive personal acquaintance with the Army and Navy men dealing with procurement. As a result, both



Marriner and Walton were frequently consulted directly by representatives of the armed services.

There was also a tendency on the part of the other consultants in the branch to confer on their industry problems with Walton, and frequently Guthrie was not advised of these conferences or of the programs worked out until afterward. Guthrie and his deputies resented this lack of cooperation. All of these consultants were men of long experience in the work of textile production; Mr. Guthrie was without experience in this field except that years ago he had conducted a retail department store. As his deputy chief, Mr. Guthrie appointed Marshall Hale, Jr., of California, who had had considerable experience in the operation of retail stores; as his executive assistant, Mr. Guthrie appointed George P. Doherty, a younger man, whose last previous occupation had been that of economic analyst in the Department of Agriculture. Because of a fundamental difference in the production and the retail point of view, there was a general tendency on the part of consultants to discount and at times resent suggestions made to them by Mr. Guthrie and more particularly by Dr. Doherty.

This resentment deepened when Mr. Guthrie authorized Mr. Sommaripa, the consultant of civilian supply, to undertake the formulation of long-range plans for the work in this branch. The other consultants understood that they were not to deal directly with Mr. Guthrie, but to make their approach through Doherty, Hale, or Sommaripa. Not infrequently when differences of opinion arose, as to methods of conservation, Mr. Guthrie and more particularly his deputies, insinuated that those who differed with them were selfishly acting in the interests of their respective industries. The consultants resented more and more what they called the unwarranted attitude of suspicion on the part of Guthrie, Doherty, and Sommaripa. Neither group disguised their distrust of the other.

Guthrie criticizes Marriner as being industry-minded and testified that Marriner had consistently resisted conversion and opposed curtailment of wool for civilian use. The memoranda written from time to time by Marriner show that he was not opposed to curtailment but differed with Guthrie both as to the necessary degree and as to the methods which should be followed in bringing it about. The views of both men fluctuated in the preliminary discussion. Marriner's view was at times definitely more conservative than that of Guthrie on the need for drastic and immediate curtailment.

There is not any evidence that in expressing these views he was influenced by a desire to aid the woolen industry. Marriner in the last war saw active service in the R. A. F. He has two brothers in the British Army and two in the British Navy. Guthrie also charged that Marriner was unreasonably opposed to issuing a mandatory order directing the woolen industry to blend cotton, nylon, or other staples in the production of woolen goods, particularly blankets. Marriner did not question the need for blending but did oppose the attempt to prescribe on an industry-wide basis for each particular commodity the degrees of blending. He proposed that each unit be told the amount of wool which would be available to it and that the unit be permitted to determine the degrees to which it would blend the wool with other fibers in different products. That is, he favored fixing a reduced quota, leaving the various industries to determine for themselves under a policy of "voluntarism" the varying amounts of wool which they would use in blends for different fabrics, with review by the W. P. B. and the issuance of orders to those not doing a good job. The consultants from Civilian Supply and Labor opposed Marriner's views; he was overruled by Guthrie and Knowlson, and after the order for conservation had been agreed upon, he was instructed to push the blending proposal by means of letters written to various mills to require them to submit their programs. There was a delay of weeks in sending out these letters, but they have now gone forward. Marriner explains that he purposely delayed these inquiries because the mills must know the amount of Government business on their books and the residual machinery available to make civilian fabrics before they can plan intelligently a blending program. Government awards will not be made until about the month of April.

IV. *Carpets*.—Proctor is charged by Guthrie with resisting the conversion of carpet mills to the production of cotton duck because Proctor's firm was interested in the manufacture of cotton duck. Proctor states that the only conversation he has had with Guthrie on this subject was one in which he reported to Guthrie his success in persuading certain rayon mills to undertake the manufacture of duck and Guthrie replied expressing dissatisfaction with the carpet industry. Ewing, the head of the carpet section (floor coverings), Proctor, and Rice all agreed that the failure of the carpet mills to go more promptly into the manufac-



ture of cotton duck was because of a lack of Government orders. The Quartermaster hesitated to place orders for cotton duck in the carpet industry until satisfied that all other available and more suitable looms were fully utilized, because carpet looms were not as well adapted for this purpose as other types of looms, and the prices which they submitted to the Quartermaster General were much higher than other available sources. Twelve of the carpet companies now have war orders aggregating 5,000,000 yards of cotton duck. They with others are now seeking to secure additional orders or prices substantially lower than those which they first submitted.

*V. Nylon.*—J. A. Rice is attacked by Guthrie on the ground that he was industry-minded and uncooperative, particularly because he refused or failed to furnish Guthrie, his deputies, and some members of the Textile Branch, with estimates from time to time of the increasing needs of the armed services for additional material. For many months Rice had been the representative of the War Production Board Purchases Division, assigned to the Quartermaster General. He was present in conferences where members of the Quartermaster General's staff gathered together, analyzed and tabulated the secret and confidential estimates of the armed services for the use and location of manpower. They then attempted to work out as accurately as possible the schedules of the textile requirements and the varying dates at which deliveries would be required. Schedules of procurement were then devised. The requirements of these resulting schedules were then submitted to the Textile Branch, and Rice consulted with its members on programs for production based upon the facilities available, additional facilities to be provided, etc. The figures with which he dealt were confidential or secret until such time as the Quartermaster General released them. Rice states that as promptly as he was permitted to release these figures and estimates he did so. In late February he became convinced that the Textile Branch was so demoralized that it could not handle the work and he complained of this condition to his superior, Mr. Douglas MacKeachie and Mr. Sidney Weinberg, of the War Production Board.

Guthrie also states that Rice opposed a mandatory order freezing nylon, effective immediately. This is true. At the time of the discussion, Rice emphasized that the aircraft service had decided to go over to Nylon for parachutes; that their requirements would be ready within a few weeks and would take all the nylon which would be manufactured, and that the existing supply of nylon was in the form of fine-spun hosiery yarn which would not be useful for parachutes. Colonel Kessler, of the Air Corps, was present and agreed with the view of Rice as opposed to the views of Guthrie, Doherty, and Sommaripa.

#### SUMMARY

In accordance with your instructions, this investigation has been made to ascertain the facts. No opinion is expressed upon matters of policy, and I do not undertake to pass upon the merits of the conflicting views and the controversies above referred to.

After interviewing the numerous witnesses and a careful review of the facts, I find that there is no evidence of any legal or moral wrong-doing on the part of any person involved in the Guthrie charges, and no reason to believe that any one of these parties was animated by any selfish or improper motive. The general statement made in his testimony by Guthrie to the effect that he thought some dollar-a-year men were prejudiced by their own selfish interests was not supported by evidence. He testified, in response to specific questions, that he knew of no concrete instances of dollar-a-year men using their positions to obtain contracts and knew of no person who could furnish such evidence.

With respect to the radio orders, neither Mr. Reed nor Mr. Knowlson participated in any of the decisions made. The determinations embodied in the final orders were due to the action of the Chiefs of the Radio and Aluminum Material Branches, respectively, and not to action taken by Mr. Guthrie.

With respect to the refrigerator orders, Mr. Knowlson and Mr. Reed disqualified themselves and did not participate in the discussions on the form and content of these orders, except that the decision to compel a peremptory shutdown of the industry was made by Knowlson and concurred in by Reed, Weiner, Guthrie, and Evans. Reed gave no instructions and made no suggestions to Guthrie and none to Evans other than that he was to act as an impartial consultant during the necessary discussions. Evans had no interest which disqualified him in acting as such impartial consultant. The confusion which developed in these discussions was partly due to the fact that Mr. Guthrie misled his

associates as to his attitude on the policy to be adopted in bringing about conversion.

With respect to the Textile Branch, the difficulties and friction which developed under Mr. Guthrie's management were so serious as to slow down the work of war production. It was the difficulty which arose in this branch which persuaded Reed, Houghton, Knowlson, and Nelson that the supervision of textiles should be transferred from Mr. Guthrie to a new chief. Without passing upon the merits of the various controversies which arose in this branch, the action taken, viewed purely from an administrative standpoint, was necessary. The facts indicate, however, that while the troubles were largely due to the conduct of Mr. Guthrie and his deputies, certain members of this branch, as above stated, were also at fault for failure to cooperate.

It is true that serious difference of opinion arose from time to time in the discussions of the types of procedure which should be adopted to bring about the prompt conversion to war production of the industries involved and as to the final shut-down dates which should be fixed. It must be observed, however, that the Industrial Branch set-up with its varied personnel representing different interests, is intentionally designed to elicit different points of view and that this frequently produces sharp differences of opinion. Ordinarily this result is desirable and not subject to criticism because of the far-reaching character of the decisions embodied in priority orders. When, as in the case of the Textile Branch, these differences of opinion lead to personal recriminations and false charges of personal interest, poor administration results, and corrective action should be taken.

Guthrie, generally speaking, favored prompt and drastic action to curtail civilian production and produce conversion to war production, regardless of collateral consequences which in some instances would have had disastrous effects. If he thought that any of his subordinates were unreasonably taking a different attitude in any specific case, it was within his power to deal promptly with the situation. He failed to make any changes and made no requests to his superiors for action on their part.

#### GUTHRIE'S CHARGES—PERSONS INTERVIEWED

Donald M. Nelson	Jesse L. Maury
James S. Knowlson	W. S. Hammersley
Philip D. Reed	R. C. Berner
Amory Houghton	Frank B. Cliffe
Joseph L. Weiner	Sidney A. Eisemann
Harold Stein	Alexis Sommaripa
Henry A. Dinegar	J. A. Rice
C. H. Matthiessen, Jr.	Douglas C. MacKeachie
Paul H. Norgren	Frank Walton
Richard A. Lester	Kenneth Marriner
William F. C. Ewing	Fessenden Blanchard
J. W. Proctor	C. O. Swayzee
Ames Stevens	Fairfax Leary, Jr.
Lieutenant Colonel Robert T. Stevens	Laurens Rhinelander
Captain Morton L. Ring (Navy)	Selig Seligman
Thomas Evans	E. F. Prichard

#### EXHIBIT No. 499

#### UNITED STATES OF AMERICA, WAR PRODUCTION BOARD, MANUAL OF POLICY AND PROCEDURES

#### GENERAL ADMINISTRATIVE ORDER NO. 2-23

MARCH 16, 1942.

Subject: Relationships between the War Production Board and the War Department.

Section 1.—All officers and employees of the War Production Board are requested to familiarize themselves with the attached memorandum regarding

the relationships between the War Production Board and the War Department, and to be governed by the matter contained therein.

DONALD M. NELSON, *Chairman.*

I certify that the original of this order duly approved and signed by the competent executive was filed with me on the 16th day of March 1942.

FRANCIS R. CAWLEY,  
*For the Chief of Management Services.*

MARCH 12, 1942.

To: Officers and Employees:

Services of Supply and Material Command of the Army Air Forces, War War Department, and War Production Board.

From: Chairman, War Production Board; Under Secretary of War.

Subject: Relationship between the War Production Board and the War Department.

#### GENERAL

1. The following statement is made for the purpose of facilitating the effort now in process to perfect the governing relationships between the War Production Board and the War Department in effectuating the war supply program.

2. The Chairman of the War Production Board is charged with the duty and given the power to "exercise general direction over the war procurement and production program," to "determine the policies, plans, procedures, and methods of the several Federal departments, establishments, and agencies in respect to war procurement and production, including purchasing, contracting, specifications, and construction; and including conversion, requisitioning, plant expansion and the financing thereof; and issue such directives in respect thereto as he may deem necessary or appropriate," to organize and direct the mobilization of industry and to maintain a civilian economy consistent with war necessity.

3. The war supply organizations should be viewed by all participants as a single integrated system operating under the general direction of the Chairman of the War Production Board in a unified effort to win the war and not as a group of autonomous or semiautonomous organizations acting in mere liaison with one another.

4. Although the immediate responsibility, initiative, and decision for a particular function is placed in one part of the organization, the assistance of the other parts is expected and directed.

#### DUTIES OF THE WAR PRODUCTION BOARD

5. In broad terms, the War Production Board gives general direction and supervision to the war supply system, formulates broad policies with respect to that system, makes the basic decisions on the allocation of resources to the various parts of the supply system in accordance with strategic directives and plans, makes provision for materials, services, tools, and facilities needed for the military effort and the civilian economy, and organizes industry for war production. Therefore, specifically, the War Production Board will—

a. Cooperate with the War Department in the formulation and review of supply programs, and in the light of military needs as expressed by the War Department, determine the resources that will be applied to war production and to the civilian economy consistent with war necessity and aid the War Department in adjusting its programs to such determinations.

b. Supervise the over-all utilization of the economic resources of the nation.

c. Develop raw material sources and increase production of raw materials.

d. Develop services, including transportation, power, and communications.

e. Stock-pile materials and certain end-products for which a future shortage is indicated.

f. Expedite the production of raw materials, machine tools and industrial supplies and also expedite production of other items where effective expediting by the War Department cannot be carried on without conflict with other agencies.

(And that is a very important paragraph.)

g. Eliminate by curtailment, conservation, and otherwise less essential uses of materials, facilities, services, and manpower essential to the accomplishment of the munitions program.



h. Expand available skilled manpower for war production through training, transfer from nonessential activities, and reduction in the loss of man-hours through stoppages resulting from all causes.

i. Direct the provision of facilities needed to produce raw materials, equipment, tools, and services.

j. Determine the plants or industries which should be converted to the production of supply for the War Department and assist the War Department in such conversion.

k. Assure preservation and production of the necessary facilities auxiliary to the production and distribution of military supply.

l. Enlist the participation of industry by organizing industry committees, by promoting cooperation between industrial units and by securing from the Department of Justice clearance for such cooperative action.

m. Assure the maintenance of a verile civilian economy consistent with war necessity.

n. Distribute the available supply of materials and equipment by priorities, allocations, and otherwise, with particular reference to apportioning in a major way of scarce materials between principal users. (Much of the detail assignment of ratings will continue to be made by the Army and Navy Munitions Board operating under policies and procedures approved by the Chairman of the War Production Board.)

o. Adjudicate and make decisions on matters pertaining to priorities, allocations, requisitioning, and to placement of orders in existing facilities, as between the military and other needs.

#### DUTIES OF THE WAR DEPARTMENT IN THE SUPPLY PROGRAM

6. In broad terms, the War Department, through the Services of Supply and the Material Command of the Army Air Forces, in accordance and compliance with the policies and directives of the War Production Board, carries on its supply functions of research, design, development, programming, purchase, production, storage, distribution, issue, maintenance, and salvage. Therefore, specifically, the War Department will—

a. Determine military needs and compile requirements for supplies, new facilities, transportation, and communication as to quantity, types, and time, and translate these into requirements for resources, including raw materials, tools, and labor, and keep the War Production Board continually informed of these requirements.

b. Receive from the War Production Board descriptions of plants or industries available for conversion, and convert these with the assistance and under the direction of the War Production Board.

c. Purchase, including the negotiation, placement, and administration of contracts.

d. Produce, including preparation of schedules, inspection and acceptance of product, issuance of shipping instructions, and distribution, including arrangements for storage, receipt, issue, inspection of use, transportation, and maintenance).

e. Expedite production in facilities producing finished items, parts, components, and subassemblies where there is no conflict with other agencies.

f. Construct and expand plants for production of finished items.

g. Conduct research and development and set specifications.

h. Conserve materials, facilities, and manpower used in war supply by substitution of more available materials in place of scarcer materials, by elimination, by development, by simplification, and by standardization of types of equipment and supplies. (While equipment and supplies must have the essential military characteristics, their specifications should also be such as to permit rapid mass production. On the other hand, ease of production should not entirely control design of articles. Moreover, the real necessity for military characteristics must be constantly challenged and reanalyzed with reference to the practical life of the product.)

#### CONTACTS BETWEEN THE WAR PRODUCTION BOARD AND THE WAR DEPARTMENT

7. Relationships will include frequent contacts by the Chairman of the War Production Board, the Under Secretary of War, the Director of Production of the



War Department, the Commanding General of the Services of Supply, the general in charge of the Material Command of the Army Air Forces, and their key subordinates; directives issued by the War Production Board; membership on the War Production Board; the Army and Navy Munitions Board; representatives on committees and units; and constant cooperation between the Chief of the Control Division of the Services of Supply and the Office of the Chairman of the War Production Board for the purpose of continuous survey of working relationships between the two agencies.

8. Members of both organizations are alike engaged in the mission of obtaining maximum balanced supply in the most expeditious manner possible. Obstacles to this end must and will be removed. One such obstacle is an organizational practice known as "layering." This means that a subordinate charged with a task in one organization or subdivision thereof must go *up* through the layers of his superiors, across from the top of his agency to the top of the other agency and then *down* through the layers of the other organization to the subordinate responsible for decision or other action. Such action may then have to go back through the layers again.

9. From this time forward there is to be no layering within or between the War Production Board and the War Department. Any officer of either agency is not only free, but is hereby directed to make direct contact with his opposite or any person from whom he needs advice, assistance, or decision by personal interview, telephone, or written communication. Wherever possible, missions should be accomplished first and thereafter may be confirmed, where necessary for routine, "through channels." Personal interview or telephone communication is to be used in preference to written communications in handling urgent matters.

10. Finally, the war supply system shall be operated in accordance with the basic principle of effective organization that immediate responsibility, authority, and scope for initiative shall be placed as far down in the operating organizations and as close to the actual doing of the various procurement tasks as possible.

D. M. NELSON,

*Chairman, War Production Board.*

ROBERT P. PATTERSON,  
*Under Secretary of War.*

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"EXHIBIT No. 500" appears in text on p. 5107

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"EXHIBIT No. 501" appears in text on p. 5109

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"EXHIBIT No. 502" appears in text on p. 5113

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#### EXHIBIT No. 503

##### SUMMARY OF FACTS THAT GOVERNOR CURLEY STATED

Governor Curley first met Mr. Fuller in July or August of 1941. Prior to that time he had never seen or heard of Mr. Fuller, and that particular meeting occurred in the Hotel Mayflower where Mr. Fitzgerald introduced Mr. Fuller to Curley. At that time Mr. Fitzgerald did not mention, nor at any time, that Mr. Fuller had just been released from jail. Fuller at that time told Governor Curley that he was organizing a group which planned to obtain control of the Kalumite deposits in Utah, and of a process of extracting the Kalumite. He told Governor Curley that a number of prominent men were to be with him, and he put it entirely on a patriotic basis saying that at the time there was an aluminum shortage, and that Kalumite was the answer to that shortage. Governor Curley agreed to lend his name to that transaction. He agreed then at all times afterwards considered that he had just loaned his name to the syndicate of entirely patriotic motives. He at no time was offered or discussed

or expected to receive any profits out of the Kalunite transactions. He understood that he was to be nominally President of the Engineers Group, Inc., a group formed for the purpose of obtaining control of Kalunite. However, he at no time took any action as President of that group although he did understand it would use his name as President. He at no time put any money into the group, nor did he ever take any money out of it or receive any of its funds. He at no time discussed any business of the group except Kalunite. He had nothing to do with any of the business transacted by the group, and until November 1941, he did not even know that Engineers Group, Inc. had any other business than the syndicate to acquire Kalunite.

Around November 1941, he heard a conversation in the office of Engineers Group, Inc., that indicated that they were doing some engineering work. However, he did not ask any questions about it and learned no more about it. After hearing this conversation he inquired and learned that the Engineers Group was offering engineering services to persons who were seeking Federal contracts. On obtaining that information Governor Curley submitted his resignation. The resignation was submitted some time in December 1941. He has no records pertaining to his transactions with Fuller or the Engineers Group, Inc. He stated that in the entire period during which he was connected with the Group only six to twelve letters passed between him and the Group or Fuller with respect to the business. All of these letters dealt with the Kalunite transaction and there was no correspondence with connection to any other subject.

At the time of his resignation he destroyed these letters. He also has a list of the officers and proposed members of the Kalunite syndicate. He originally obtained this list from the office of the Engineers Group, Inc. This list is at home, and together with a copy of his resignation from the Engineers Group, which copy he mailed to the Committee at the request of Mr. Parks.

This comprises all the documents of any nature which he possesses, referring to or concerning James Fuller or Engineers Group, Inc.

His conversations respecting Kalunite were with Fuller, George Eichelberger, and Robert Thach. He did not have a conversation with any other person concerning Kalunite, and he had at no time had any conversation or dealings with any public official or official of the R. F. C. concerning Kalunite.

Another factor in influencing Governor Curley's resignation from the Presidency of Engineers Group, Inc., was his discovery that no progress was being made on the Kalunite transaction.

Governor Curley met Donald Smith, Everett Hurt, Robert Thach, A. L. Bivins, Henry Holt, Clarence Brown, George Eichelberger, General Shinkel, and Major Hawkins. Fuller told him that all of those were associated with Fuller in the Kalunite deal. In most instances the statement was made by Fuller in the presence of the men themselves. He particularly recalls that it was the case of Mr. Thach and Mr. Brown. He is not sure as to Smith. He is sure as to Mr. Hurt.

Mr. Fuller took some stock certificates on a brewery belonging to Governor Curley, with the arrangement that he was to procure a loan on the certificates to Governor Curley. Later Governor Curley received a check or checks of Mr. Haskell as purported advancement, but the checks were returned for insufficient funds. Thereafter Governor Curley obtained the return of his stock certificates receiving part of them personally in Washington, the rest by mail in Massachusetts. There was never any discussion by Governor Curley of any loan on the stock to Fuller, or the turning over of any proceeds of any such loan by Fuller to Governor Curley.

JAMES M. CURLEY.

## EXHIBIT No. 504

FEDERAL BUREAU OF INVESTIGATION  
UNITED STATES DEPARTMENT OF JUSTICE  
Washington, D. C.

APRIL 21, 1942 JAOH

The following is the record of FBI number 312370.

J. E. HOOVER, *Director*.

Contributor of fingerprints	Name and number	Arrested or received	Charge	Disposition
Police Department, Schenectady, New York.	James George Fuller, # E-1719.	Aug. 28, 1925.	Grand Larceny	*Oct. 26, 1925, one year County Jail.
Police Department, Los Angeles, California.	James G. Fuller, # 29346-M-1.	Sept. 19, 1930.	Suspicion, grand theft bunco.	Released.
Police Department, New York City, New York.	James G. Fuller, # E-5608	Dec. 9, 1931.	forgery.	Final charge conspiracy to commit forgery; on Feb. 20, 1935, Penitentiary.
Sheriff's Office, Pontiac, Michigan.	James G. Fuller, # 5118.	June 20, 1934.	investigation—insufficient funds.	Ten days—ten dollars on charge of intoxication; ten days or ten dollars on charge of disorderly; released on bond on first charge; nolle prosequi on second charge; served twenty days on charges of intoxication and disorderly, released at Court Dec. 18, 1934.
District of Columbia Jail, Washington, District of Columbia.	James A. Fuller, # 14985.	Nov. 20, 1934.	false pretenses—false pretenses—intoxication and disorderly.	
Probation Department, Court of General Sessions, New York City, New York.	James G. Fuller...	Dec. 28, 1934.	violation 580 petty larceny as misdemeanor.	indefinite term—Oct. 20, 1936, paroled.
Penitentiary, Welfare Island, New York City, New York.	James G. Fuller, # 61681.	Feb. 21, 1935.	conspiracy to commit forgery.	
Police Department, New York City, New York.	James G. Fuller, # B-9882.	Oct. 20, 1936.	Grand Larceny (fugitive).	Dec. 23, 1938, bail Municipal Court.
United States Marshal, New York City, New York.	James G. Fuller, # C5-239.	Oct. 21, 1936.	false pretenses.	
Police Department, Chicago, Illinois.	James G. Fuller, # C-90848.	July 2, 1938.	general principles.	B-1000 after—B-1000 after—B-1000—Feb. 11, 1941, 720 days or five hundred dollars fine, fine paid and subject released to United States Marshal for detainee from Cook County, Illinois, June 18, 1941.
County Jail, Chicago, Illinois.	James Geo. Fuller, # 6735.	Dec. 1, 1938.	confidence game—false pretenses.	
Police Department, Washington, District of Columbia.	James George Fuller, # 82496.	Dec. 20, 1940.	false pretenses—checks.	B-1000 after—B-1000 after—B-1000—Feb. 11, 1941, 720 days or five hundred dollars fine, fine paid and subject released to United States Marshal for detainee from Cook County, Illinois, June 18, 1941.
District of Columbia Jail, Washington, District of Columbia.	James G. Fuller, # 14985.	Dec. 21, 1940.	false pretenses after—false pretenses after—false pretenses.	

Form T-2

\* Welfare Island, malicious mischief; twenty months.

\* Schenectady, malicious mischief; ten months.

\* Washington, District of Columbia, malicious mischief; sixty days.  
(above notations as on print #6735).

\* City Jail, Washington, District of Columbia, November 14, 1923, larceny; thirty days.

\* December 30, 1924, as James G. Fuller, Manhattan, grand larceny; February 20, 1925, one year, and two months to two years and four months, States Prison, execution of sentence, stayed.

\* June 30, 1926, as James G. Fuller, Schenectady, New York, fugitive, New York City, grand larceny; June 30, 1926, turned over to New York City Police.

\* June 30, 1926, as James G. Fuller, Manhattan, grand larceny; July 7, 1926, suspicion of sentence of February 20, 1925, continued.

\* October 14, 1926, as James Fuller, Schenectady, New York, Motor Vehicle Law (reckless driving); October 19, 1926, fined fifty dollars.

\* June 6, 1934, as James Fuller, Manhattan, Petty Larceny; June 18, 1934, paroled.

\* November 19, 1934, as James Fuller, Washington, District of Columbia, false pretenses.

\* December 4, 1934, indicted by Grand Jury and released on bond and brought back to New York City and sentenced to Penitentiary on case of December 9, 1931.

\* Admits: As James Fuller, December 23, 1934, sentenced to Welfare Island, New York Penitentiary, one to three years, conspiracy to defraud from New York City.

\* James G. Fuller, #C-94174, Police Department, Chicago, Illinois, confidence game; December 1, 1938, held to Criminal Court on twenty-five hundred dollar bond.

\* WANTED: As James George Fuller, under indictment for confidence game, now a fugitive. Notify States Attorney's Office, Criminal Courts Building, Chicago, Illinois, per information received therefrom April 28, 1939. In Custody per print #82496, Police Department, Washington, District of Columbia.

\* WANTED: As James George Fuller, for passing fraudulent checks. Notify State Police, Hawthorne, New York, per information received therefrom October 23, 1939. In Custody per print #82496, Police Department, Washington, District of Columbia.

\* WANTED: As James George Fuller, for false pretenses (checks). Notify Police Department, Washington, District of Columbia, per information received therefrom March 13, 1940. In Custody per print #82496, Police Department, Washington, District of Columbia.

\* #16147, Police Department, Washington, District of Columbia (as on print #82496).

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#### EXHIBIT No. 505

200 19TH ST., S. E., WASHINGTON, D. C., *March 24, 1941*

DEAR JIM: It seems such a very long time since I have known the pleasure of your company that I hardly know how to address you \* \* \* especially inasmuch as I am advised that you have been acquainted with the adversity which was thrust upon me a few short months ago.

Please accept my deep thanks for your kindly gesture towards Mrs. Fuller and your interest evinced in the writer. When one's world falls to pieces and all of the past seems filled with gilded, fickle, tinsel things \* \* \* with friends of the Punic, perfidious faith \* \* \* then it is indeed refreshing to learn that there are still big men aboard in the land \* \* \* men, too, of large understanding and broad affairs and unlimited outlook.

I must acquaint you with the fact, also, that my adversities came upon me from the shadowy past at a time when the future seemed assured \* \* \* and were born of a chain of antiquated events over which I no longer had control \* \* \* to which, indeed, I had given no thought, because my own connection with them seemed so grotesque and remote as to be negligible in the eyes of any outside observer. Suffice to say that I was hamstrung for the machinations of several others who \* \* \* when the hour of accounting was arrived \* \* \* played the coward with true talent and let old Jim Fuller to pay the piper for the dance which had been nourished by their own selfish desires.

However, one may not \* \* \* be he a true disciple of the Alcoran \* \* \* regret what has been an act of destiny. I am convinced that even by this paradoxical crowning of thornes I have been immeasurably blessed \* \* \* for here, in the quiet and even solitude of a place remote from the hustle and bustle and conflicting emotions of the affairs of men one may view the past and enlarge upon the future with cool detachment \* \* \* selecting



with more than usual care the instruments by which to make the future more secure and the past less lamentable.

It happened that I was snatched from priceless freedom upon the eve of what may well have been my greatest success. The years during which you knew of me as being something of the human dynamo \* \* \* working for the Chief throughout the Bay State \* \* \* at Chicago and beyond \* \* \* not too largely overshadowed by the genius of Big Jim \* \* \* the years of my minor and major accomplishments seemed about to be consummated in a great, patriotic accomplishment for which I have still high hopes.

Sometime shortly after July 1st, 1941, I anticipate the return from abroad of a friend of long standing, tried and capable and untiring \* \* \* as I have been untiring and capable in the finite things with which I have occupied my days \* \* \* who has consented to lend himself to the perfection of the plan I was about to launch when the launching was so forcibly delayed last December.

I do not have any doubt but that he will succeed royally. There is no doubt, either, that the deal I have conceived, which I have here perfected, will, within short months, become the greatest thing alive in the financial and material world which is America today. My one concern is that the undertaking not pyramid into a Frankenstein of Finance which, once out of control, might become a powerful instrument for evil rather than for the good I have cherished for it.

To this end, and because I have developed and perfected the safety-valve for that, too, I should be deeply beholden to you if you will find the time to seek me out (since it is obvious that I may not seek you out at the present time) to the end that I may lay certain matters before you \* \* \* offering you a part in what I am sure you will readily admit to be the acme of human endeavor \* \* \* considering the age and the trends and the course of human events.

You will find no trouble in visiting me here at any time you elect to call, inasmuch as I am in a good position involving confidence and trust. Officialdom here, being above the charlatan interests of loftier circles \* \* \* having no private axe to grind in the shed of Power and Money \* \* \* extends ready recognition to the capable convert.

Please believe me when I say that in the light of the past I have deemed it wise to address such a letter as this to but one other man in America. It may be that when you have heard me out, you will be moved to concur in all that I have claimed. In any event, my undying gratitude herewith for your avowed interest, and please feel that I am, yours,

Ad Finem,

JAMES G. FULLER.

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EXHIBIT No. 506

10/14/41.

JIM: The Bank teller had me see the Cashier and that Bird asked me not to draw against uncollected funds. He called attention to La Rocca check was made payable to himself & this was only check #61—can't see that is any of his business.

Will call if I possibly can, but presume all you need is enclosed.

EVERETT.

If possible, have the Gov. hold these two checks until Thursday.

EVERETT.

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EXHIBIT No. 507

[Western Union]

CDAH33 73 DL=P BOSTON, MASS, 11 1045A.

Aug. 11, 1941.

JAMES FULLER,

*Carc Sherry Netherlands Hotel, NYK:*

Received partial outline Syndicate Corporation agreement conditions. I will be a member of the Syndicate Corporation and will serve also as officer and

director of the Kalunite Corporation provided my subscription agreement with the Syndicate Corporation and the Syndicate Corporation agreement with Kalunite and the formal agreement between buyers and sellers of Kalunite are approved by me and my attorneys and will meet with other syndicate members, date and place convenient to all.

JAMES M. CURLEY.

EXHIBIT No. 508

ENGINEERS' GROUP, INC.

WAIVER OF NOTICE OF A SPECIAL MEETING OF A MAJORITY OF THE BOARD OF DIRECTORS

We, the undersigned, being a majority of the Directors of Engineers' Group, Inc., incorporated under the Laws of the Commonwealth of Massachusetts, do HEREBY WAIVE NOTICE of the time, place, and purpose of the first meeting of the said Corporation and do fix the fifteenth day of December 1941, at two o'clock in the afternoon, as the time, and the office of said Corporation, 1022 17th Street, NW., Washington, D. C., as the place of said meeting.

And we do hereby waive all the requirements of the Statutes of Massachusetts, both as to the notice of this meeting and the publication thereof; and we do consent to the transaction of such business as may come before said meeting.

Dated: December 15, 1941.

JAMES M. CURLEY,  
Hon. J. M. Curley,  
ROBT. G. THACH,  
Robert G. Thach,  
JAMES FULLER,  
James Fuller.

The following is an excerpt from the Minutes and Resolutions, which were duly introduced, seconded, and unanimously adopted at a Special Meeting of a Majority of the Board of Directors of Engineers' Group, Inc., held at 1022 17th Street NW., Washington, D. C., on Monday, December 15th, 1941:

"Pursuant to call of the President, a special meeting of a Majority of the Board of Directors of Engineers' Group, Inc., was held at the offices of the Corporation at 1022 17th Street, NW., Washington, D. C., on Monday, December 15th, 1941, at 2 P. M.

"The following members of the Board were present:

Hon. James M. Curley  
Robert G. Thach  
James Fuller

"There being a quorum, the Directors proceeded to attend to the business before the meeting.

"Upon motion duly made, seconded, and carried, it was

"Resolved, That the resignation of Everett R. Hurt as Treasurer and Director of Engineers' Group, Inc., be and it hereby is accepted.

"Upon motion duly made, seconded, and carried, it was

"Resolved, That Attorney Donald Wakefield Smith, Washington, D. C., be and he is hereby nominated and elected Vice President, Treasurer, and Director of Engineers' Group, Inc.

"Upon motion duly made, seconded, and carried, it was

"Resolved, That Donald Wakefield Smith, Treasurer and Director, be and he is hereby authorized to submit his signature to the National Metropolitan Bank, Washington, D. C., for the purpose of exercising the duties of said office as Treasurer with said bank.

"Further resolved, That said Bank be and is hereby authorized to accept deposits and withdrawals from the funds of this Corporation on deposit with the National Metropolitan Bank, Washington, D. C., only upon and according to the check of this corporation or instruments thereof and pertaining thereto, signed by Donald Wakefield Smith, Treasurer.

\* \* \* \* \*

"There being no further business before the meeting, upon motion duly made and seconded, it was adjourned to Wednesday, December 24th, 1941, at 11 A. M., the meeting to be held at the offices of the corporation either in Boston, Mass., or Washington, D. C."

MARSHALL J. FITZGERALD,  
Secretary.

EXHIBIT No. 509

JAMES M. CURLEY

BOSTON, MASSACHUSETTS

DEMOCRATIC NATIONAL COMMITTEEMAN

JULY 21st, 1941.

Mr. EVERETT R. HURT,  
932 Earle Bldg., Washington, D. C.

DEAR Mr. HURT: Mr. Fuller has informed me that he has asked you to loan him for three months, with a privilege of renewal for a like period, \$6,000 on Certificate No. 141 of the Eldredge Brewing Company, a Maine Corporation.

I, the undersigned, agree to pay the said amount or portion unpaid of said amount of loan at the expiration of the renewed note on surrender of said certificate No. 141 to me, in the event Mr. Fuller defaults all or any part of said loan.

Very truly yours,

JAMES M. CURLEY (Signed).

EXHIBIT No. 510

Hon. JAMES M. CURLEY,  
24 School Street, Boston, Massachusetts.

SEPTEMBER 15, 1941.

DEAR Mr. CURLEY: I am sorry I was unable to favor Mr. Fuller, but I am returning herewith stock certificate #141, covering 100 shares of Eldredge Brewing Company, Inc., of \$100.00 each.

Yours very truly,

E. R. HURT.

ERH: CC.

Encl. #2.

(1) Stock Certif.

(2) Mr. Curley's original letter, per copy attached.

Registered mail.

Return receipt requested.

Air mail, special delivery.

POST OFFICE DEPARTMENT  
OFFICIAL BUSINESS

Postmarked: Boston, Mass., 10, Sept. 16, 9 P. M., 1941.  
Return to American Corp.  
Street and Number,  
or Post Office Box, 932 Earle Bldg.

REGISTERED ARTICLE  
No. 174821

WASHINGTON,

INSURED PARCEL

No. -----

D. C.

(Reverse side)

Form 3811  
Rev. 1-4-40

## RETURN RECEIPT

Received from the Postmaster the Registered or Insured Article, the original number of which appears on the face of this Card.

1. JAMES M. CURLEY. [Signed]

(Signature or name of addressee)

2. C. J. HANLEY. [Signed]

(Signature of addressee's agent—Agent should enter addressee's name on line ONE above)

Date of delivery: 9-16-41.

(Postmark of) : 1205 (Benjamin Franklin Sta.), Washington, D. C.,  
Date stamped: Registered Sep. 15, 1941.

(Via Air Mail)

Form 3806 (Rev. Jan. 21, 1935)

Receipt for Registered Article No. 174821.

Registered at the Post Office indicated in the Postmark.

*Fee paid, 15 cents. Class postage 1.*

Declared value, Un. Surcharge paid, \$-----.

Return Receipt fee ----- Spl. Del'y fee, \$0.10.

Delivery restricted to addressee:

in person -----, order ----- *Fee paid -----*

Accepting employee will place his *initials* in space indicating restricted delivery.

POSTMASTER, per H. L. GEON.

The sender should write the name of the addressee on back hereof as an identification. Preserve and submit this receipt in case of inquiry or application for indemnity.

Registry Fees and Indemnity.—Domestic registry fees range from 15 cents for indemnity not exceeding \$5 up to \$1 for indemnity not exceeding \$1,000. The fee on domestic registered matter without intrinsic value and for which indemnity is not paid is 15 cents. Consult postmaster as to the specific domestic registry fees and surcharges and as to the registry fees chargeable on registered parcel-post packages for foreign countries. Fees on domestic registered C. O. D. mail range from 25 cents to \$1.20. Indemnity claims must be filed within one year (C. O. D. six months) from date of mailing.

U. S. GOVERNMENT PRINTING OFFICE

5—6852

EXHIBIT No. 511

JAMES M. CURLEY,

*Boston, Massachusetts, September 19, 1941.*

JAMES FULLER,

*Engineers Group, Inc.,*

*1022 Seventeenth St. NW., Washington, D. C.*

DEAR FRIEND: I have wired the First National Bank at Winnemucca that check has been mailed to them. Kindly send your check for two thousand dollars as agreed and oblige.

Sincerely,

JAMES M. CURLEY.

EXHIBIT No. 512

FIRST NATIONAL BANK,

*Winnemucca, Nevada.*

20 SEPTEMBER 1941.

GENTLEMEN: I am enclosing herewith my check for Two Thousand Dollars (\$2,000.00), as per instructions from the Honorable James M. Curley.

I presume that you have received instructions as to the disposition of these funds.

Very truly yours,

JAMES FULLER,

*Executive Vice President, Engineers' Group, Inc.*

JF: ehc.

Enc (CK \$2,000).

Cc: Hon. J. M. Curley.

EXHIBIT No. 513

[Letter head of James M. Curley]

MEMO FOR GOVERNOR.

Morton H. Morganstern, of 10 Middlesex Rd., Watertown, has 500,000 pairs of trench shoes, he is desirous of selling to some one of the South American countries.



Cannot sell them to the U. S. Government. Already had them sold to the Greek Navy at \$1.44 a pair but order was cancelled after Germany was successful in entering the country. (Showed me letter confirming purchase.) Has several other similar propositions that some money could be made on if the right contacts are made.

LWC.

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EXHIBIT No. 514

JAMES M. CURLEY,  
*Boston, Massachusetts, June 28, 1941.*

J. MARSHAL FITZGERALD,  
1022 17th St., NW.,  
Washington, D. C.

DEAR FRIEND: The bearer, Mr. Morganstern, is the gentleman in whose behalf I interviewed you and your associates, and it is imperative that his proposition be put through without delay, since the option secured expires July 10th.

Sincerely,

JAMES M. CURLEY.

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EXHIBIT No. 515

WATERTOWN, MASS., *Sept. 12, 1941.*

Mr. JAMES FULLER,  
% Engineers Group Inc.,  
1022 17th Street NW.,  
Washington, D. C.

DEAR MR. FULLER: The Governor told me that he spoke to you last evening and that you said you would pay for the Overshoes, as per invoice enclosed, on Monday next. I trust that you will, as I must recall the draft now in the Lincoln National Bank, Washington, and I never have done this in all my business experience.

All of these Overshoes (even including the (4) Buckle Gaiters) which you are not accepting are a wonderful buy, and after once buying them it means a lot of expense for me to put them in shipping condition.

If you will pay for 14,671 Pair of one-button snaps at 30¢ pr. and 2,600 Pair of the all Rubber Overshoes at 30¢ pair, amounting to \$5,241.30, I will let you have the 18,774 Pair of the (4) buckle Gaiters at 24¢ pr.

I can't afford to do this, but I want to sell all of them, as I want some cash just now to do some of the things I want to do. This is a reduction on the original price of 18,774 pr. at 6¢, or \$1,126.44. I hope you agree to take these, and in the meantime I remain,

Very truly yours,

M. H. MORGANSTERN.

MORTON H. MORGANSTERN, 10 Middlesex Road, Watertown, Mass. Phone, Watertown 8498.

[Handwritten:] With this reduction of 6¢ it takes all the profit I had hoped to make, but I need some money, so try to accept this deal.

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EXHIBIT No. 516

WATERTOWN, MASS., *Aug. 23, 1941.*

Mr. JAMES FULLER,  
Engineers Group, 1022 17th St. N. W.,  
Washington, D. C.

DEAR MR. FULLER: I am pleased to confirm your purchase of the Ladies Overshoes and Gaiters, as described by me in my letter of Aug. 6th to you, however the quantity now about 33,000 to 34,000, as I sold about 3,800 pairs a few days ago. You have purchased these at (30¢) thirty cents, per pair net against cash.

It is understood that I will draw a draft at (5) days' sight, for your acceptance and in the meantime you will examine them, and if approved, that you will pay the draft, at which time I will either deliver these f. o. b. shipping point, or will follow your instructions and hand delivery order to you.

To the draft, I will attach my invoice, together with the delivery order, or I will handle this in any manner you wish. I will take care of all storage to the date of delivery.

Trusting this is your understanding and that you will examine as soon as possible, I remain, thanking you,

Very truly yours,

M. H. MORGANSTERN.

Morton H. Morganstern, 10 Middlesex Road, Watertown, Mass. Phone, Watertown, Mass.

P. S.—Dear Mr. Fuller: In speaking with you today, while with the Governor, I learned that you could not be in Boston today to examine the Overshoes, nevertheless they are all in a perfect condition, and I will be in New York Tuesday and Boston on Thursday. I have sent the draft through for payment as you instructed. If you would offer on the Brass, in New York you might reach me at 32 Broadway, Suite 1500, or phone Bowling Green 9-4275. Let's get together on the Brass: I will do the best I can for you.

Sincerely yours,

M. H. MORGANSTERN.

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EXHIBIT No. 517

WATERTOWN, MASS., Sept. 2, 1941.

Mr. JAMES FULLER,

*Copely Plaza Hotel, Boston, Mass.*

DEAR MR. FULLER: I spoke to my friend, the Governor this evening and he advised me to take this package to you to the Hotel, rather than mail it. If you can use this approximately 3,000 pair, of the description in the other letter, at the same price, I will include this lot with the other lot, and draw another small Draft.

After you decide, please wire me at my expense, as now is the time for me to offer these, but if you can use them, I will appreciate it.

Hoping that you have a good trip, I remain,

Very sincerely yours,

M. H. MORGANSTERN.

Morton H. Morganstern, Watertown, Mass., 10 Middlesex Road. Phone, Watertown 8498.

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EXHIBIT No. 518

WATERTOWN, MASS., Sept. 6, 1941.

Mr. JAMES FULLER,

*Engineers Group, 1022 17th Street NW.,  
Washington, D. C.*

DEAR MR. FULLER: I just received your Day Letter, of today, and am instructing THE PEOPLES NAT'L BANK, Marlboro, Mass., to advise the Lincoln National Bank, Washington, D. C., to hold the Draft, that they already have, and that it will be paid within (5) days after examination of the Merchandise (Overshoes) where it is now stored.

As I wired, all of the Cartons are ready for shipment, and although there are 2,787 Cartons (each one containing 12 pairs of Overshoes), I am sure, as I stated previously, an examination is *not necessary*, however as your Party wants to examine, I trust that it will be done at once, as it is a *very saleable lot of Overshoes*, at this season of the year, wonderfully cheap, and I, as you are well aware, want to turn them into cash, so I will appreciate it very much if you will contact your Man at once, and close the deal, and have him examine on Tuesday or Wednesday, sure, and so that I am here.

With these new instructions, the Draft that is in the Lincoln National Bank, will answer, rather than forward another one, as the documents are attached, including a receipted invoice which (when the Draft is paid) answers the certificate for delivery.

Hoping you will attend to this at once, so that we do not lose too much time, I remain, with kind regards,

Very sincerely yours,

M. H. MORGANSTERN.

Morton H. Morganstern, 10 Middlesex Road, Watertown, Mass. Phone, Watertown 8498.

DEAR MR. FULLER: I am very anxious to see the Governor, in the Mayor's seat in Boston, and if I can get the cash in on this deal I will do my share, as I have a location for Headquarters and which he would like very much, so I hope we can do this before someone else grabs the space; so why not push this through at the earliest moment. I don't make very much, but I make a little bit, part of which I will donate with all my labor until election day, and he knows of this, so he told me to tell this to you; so please get your Man here, and let's go to it and get them paid for.

M. H. M.

EXHIBIT No. 519

WATERTOWN, MASS., Sept. 27, 1941.

Mr. JAMES FULLER,  
Engineers Group, Inc., 1022 17th Street NW.,  
Washington, D. C.

DEAR MR. FULLER: I asked our mutual Friend, Gov. Curley, to ask you to give me the NAME and ADDRESS of Harry Aarons, so that I could perhaps try to get him to take the Overshoes that he bought, and which order you cancelled, a few days ago, for no reason that I can account for, and which has placed me in a very bad position with my Bank. If I can get him to accept these, I will protect you as regards your profit—So why not do it.

Brass.—The Discs, Gilding Metal and part of the Rods are still unsold, and with a firm offer, I can, I think, make a deal, if the offer is not too low. This is material of the very best quality for Ammunition, and is owned by a Foreign Government, and on account of the conditions abroad, COULD NOT BE SHIPPED, but it is not junk or scrap, and is a product of the American Brass Co. and was made on specifications, according to my previous letters. The asking prices are:

About 498,925 lbs. of No. 1 quality Brass Discs.....	30¢ lb.
About 2,600 lbs. of No. 1 quality Gilding Metal.....	32¢ lb.
About 70,000 lbs. of No. 1 quality Brass Rods.....	23¢ lb.

Terms.—Net Cash f. o. b. Met. New York District, with a 10% deposit, when placing the order.

The Brass can be examined and approved, and it is all guaranteed of No. 1 quality. If you are a buyer or have a buyer interested, why not try to get together on this lot, it is perfect merchandise, in every respect.

I think you owe me the courtesy, to try to get your buyer to accept the Overshoes, or give me his name, and I maybe can interest him.

Please write or wire, and I remain

Very truly yours,

M. H. MORGANSTERN.

Morton H. Morganstern, 10 Middlesex Road, Watertown, Mass. Phone, Watertown 8498.

P. S.—If you will locate my letter to you of Aug. 6th, you will note that I enclosed letter to the Western Cartridge Co., and asked you to forward it to them.

EXHIBIT No. 520

OCTOBER 1, 1941.

HON. JAMES M. CURLEY,  
24 School Street, Boston, Mass.:

For Morgenstern's information and to prove he has no values, Western Cartridge Company has just confirmed to Mr. Finkelstein that they are now selling new metal including fabricating changes at 19½¢ per pound for this type product in price.

ENGINEERS' GROUP, INC.,  
JAMES FULLER.

## EXHIBIT No. 521

OCTOBER 16, 1941.

MEMORANDUM TO HON. JAMES M. CURLEY

DEAR GOVERNOR: Before Jerry was taken sick, he interceded for the West Paint Company, of Charlestown, Mass., for some orders on paint. They received two orders in an amount estimated around \$67,000.

Jerry never received a penny from these people, and therefore it is suggested that they contribute something to the campaign in view of this business. Knowing the profit in the paint business as I do, at least \$3,500 ought to be contributed.

J. F.

## EXHIBIT No. 522

JAMES P. BRENNAN,

*18 Tremont Street, Boston, Massachusetts, December 17, 1941.*

Mr. JAMES FULLER,

*1022 17th Street NW., Washington, D. C.*

DEAR MR. FULLER: Frequent inquiries have been made of me in regard to the Engineers' Group, Inc., by credit reporting agencies here in Boston and others who represent that they are credit-reporting agencies relative to the affairs of the corporation.

Since my last interview with you, I have heard nothing from you and the way the matter now stands is that there is a Massachusetts corporation in existence with officers, the staff of my office appearing in the Charter. It was my understanding that a meeting was to be held and other stockholders were to be elected officers and directors. This, of course, has not yet been done. I sent the original Charter to Washington.

I would suggest that the second meeting be held in order to bring about the permanent organization of the corporation. I further suggest that this be attended to forthwith.

Very truly yours,

JAMES P. BRENNAN.

JPB/O

## EXHIBIT No. 523

JAMES M. CURLEY,

*Boston, Massachusetts, December 22, 1941.*

JAMES G. FULLER,

*1022 17th St. NW., Washington, D. C.*

DEAR JIM: In the event that you have anyone seeking a plant, the enclosed looks extremely attractive and John Curley, 24 School Street, has the disposition of it. The price is \$75,000.

With every good wish, I am

Sincerely,

JAMES M. CURLEY.

(Description and photographs of Elms Realty Co. plant attached.)

## EXHIBIT No. 524

7 JANUARY 1942.  
(Dictated Jan. 2)

HON JAMES M. CURLEY,

*24 School Street, Boston, Mass.*

DEAR GOVERNOR: We have your letter of December 22 regarding the plant, and will bring this to the attention of our associates—Grantrade International



Corporation—who have several clients interested in a plant of this size, and will communicate with you upon receipt of their disposition of the matter.

Very sincerely yours,

ENGINEERS' GROUP, INC.,  
JAMES FULLER,  
*Executive Vice President.*

JF: ehc

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EXHIBIT No. 525

NEW YORK NOTE & SHARE CORPORATION,  
*New York, N. Y., March first, 1941.*

Mr. M. J. FITZGERALD,  
*930 Sixteenth Street NW., Washington, D. C.*

DEAR MR. FITZGERALD: I waited to hear from you at the Mayflower on Thursday afternoon. About five o'clock I received a phone call from New York that I was expected here the next morning in regard to a bond issue on a plant in Lakeville, Connecticut. I figured that it would be better to take a train at six o'clock which would arrive here at ten, so that I could get a good sleep and be ready for the work in the morning. So is what I did.

I am now working on the information necessary to satisfy the RFC on the Texas Sugar Refining Company.

During the afternoon at the Mayflower Mr. MacCauley called at my room and got the papers regarding the steel mill in New Jersey. He returned later and said that his man knew about the plant and that he would let me know what he could do about it. I shall send you application for orders.

I shall send you other applications as they are received.

Give my thanks to Governor Curley for his interest, and let me know how your cold is doing.

With kind regards,  
Sincerely yours,

F. DUDLEY KOHLER.

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EXHIBIT No. 526

[Western Union]

Nov. 27, 1941.

JAMES FULLER,  
*Vice President, Engineers Group, Inc.,  
% Glenwood Range Co., Taunton, Mass.:*

Colonel Martin J. Connely, president, Triton Powder & TNT Corporation, Wilmington, will meet with you and Governor Curley Tuesday or Wednesday. Get in touch with Governor Curley regarding the matter we took up regarding Major Hawkins and affiliates.

M. J. FITZGERALD,  
*Secretary, Engineers Group, Inc.*

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EXHIBIT No. 527

OCTOBER 6, 1941.

Mr. DONALD W. SMITH,  
*923 Munsey Building, Washington, D. C.*

DEAR DON: Regarding your memorandum on the Pneumatic Mail Tube System, I have forwarded a copy to the Governor, and at this writing he feels he is too busy with reelection for the Mayorship of Boston to bring new life to the old group who were interested in this project. However, the Governor states that the last trip he made on Pneumatic Mail Tube Systems cost him \$25,000 and he would not be interested at all in assuming even a contingent liability in revitalizing the deal. Therefore, I am returning your original contract.

Very sincerely yours,

JAMES FULLER,  
*Executive Vice President, Engineers' Group, Inc.*

JF: eob.

## PNEUMATIC MAIL-TUBE SYSTEMS

The U. S. Post Office Department is now leasing pneumatic mail-tube systems for the transmission of mail between intracity Post Offices in New York and Boston for a yearly rental of approximately \$276,000.00. There are other systems not now in operation owned by the same group and located in Philadelphia, Chicago, and St. Louis. The Post Office Department shares with the owners the maintenance expense of the systems in New York and Boston which aggregates about \$350,000.00 per year.

For a number of years, endeavors have been made to sell all of the systems to the Government. In 1934-35 hearings were held before the Committee on Post Offices and Post Roads of the House of Representatives on Bills (H. R. 6, H. R. 4450, and H. R. 7400—Committee Report, June 18, 1935) to permit the Post Office Department to purchase these systems. Congress passed the Special Act authorizing such purchase. Thus, by law, the Department now has authority to negotiate for the purchase of the entire system or any part thereof. I understand that no effort has been made formally during the present regime, i. e., under the administration of Postmaster General Walker, to dispose of these systems. The endeavors during the Farley regime were wholly unsuccessful for numerous reasons.

I was approached several months ago by persons claiming to represent a group who held an option on all of the systems. At such time a preliminary investigation was made of the matter in the Department and I am thoroughly familiar with the action now necessary to successfully consummate a sale of these systems. Concentrated action for a period of at least six months would be required, thus necessitating an advance to cover expenses and retainer of at least \$35,000.00. Although the Department has rather complete records available, it might be necessary to have available up-to-date independent audits and inventory reports, which expense would have to be borne by the Companies. The whole situation must be handled without fanfare on a strictly business basis and the asking price must be right, with actual rather than replacement value being the basis used. Obviously, a personal discussion with the principals would be necessary if this matter is to go forward.

DONALD WAKEFIELD SMITH.

## EXHIBIT No. 528

1022 17TH ST. NW., WASHINGTON, D. C.,

June 30, 1941.

MR. C. DEWITT COFFMAN,  
*The Mayflower, City.*

DEAR MR. COFFMAN: Please permit me to express herewith, once again, my deep appreciation of the courtesy you extended me yesterday, by making available the office room (260) you placed at my disposal.

Be assured that your courtesy was of great assistance to the interests of Curley & Fuller, and that, for it, we shall not soon forget this unusual gesture.

Please feel free to call upon us at any time when we may be of service to you.

Appreciatively yours,

JAMES FULLER.

## EXHIBIT No. 529

1022 17TH ST. NW., WASHINGTON, D. C.,

June 30, 1941.

MR. JAMES MONTFORT,  
*The Mayflower, City.*

DEAR MR. MONTFORT: This will express, again, something of my appreciation for the splendid gesture you made, yesterday, to Curley & Fuller, in placing Room 260 at our disposal. I should like you to know that this courtesy was of great assistance during an emergency.

Too, I cannot but feel that your effort in our behalf was most sincere, since you so generously passed the word along to Mr. Coffman. In a world swept by most of the passions and self-centered interests of Man, the treatment you accorded my request was very refreshing.

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I was and am indeed grateful for it, and trust that you will feel free to call upon us whenever we may be of assistance.

Yours most sincerely,

JAMES FULLER.

## EXHIBIT No. 530

### Information for directory listing

Curley, Jas. M., Res., 1022 17th St. NW.

Initial service, equipment and rate per month

Individual unlimited, res. handset combined	\$4. 20
1 additional listing	. 25
<b>Total</b>	<b>4. 45</b>

### Information for additional directory listings

\*Curley, Jas. M., ofc. 24 School St., Boston, Mass. Toll chg. ask opr. for Lafayette 2076 (no CI hd).

### Miscellaneous information

Serv. conn. chg., \$2.50 B.

Tel. number: RE 3674.

Loc.: Front apt., 2nd floor.

## APPLICATION FOR TELEPHONE SERVICE

### Washington Metropolitan Exchange, Washington Zone

The undersigned requests The Chesapeake and Potomac Telephone Company to furnish telephone service and equipment, as above specified and as may be ordered from time to time, and agrees to pay all toll, local message, and other charges in accordance with the Company's tariffs. Applicant's signature to this application for service constitutes verification of and authority for initial directory listings.

### SUBJECT AT ALL TIMES TO LAWFUL RATES AND REGULATIONS

(Please sign here) \_\_\_\_\_ *Applicant.*

Application taken by: M. Bond. Dated: 6-23, 1941.

[Reverse side of form all blank.]

25 AUGUST, 1941.

Miss G. M. MOHON,

*C. & P. Telephone Co., Washington, D. C.*

DEAR MISS MOHON: Enclosed is our check in the amount of \$485.79, to be applied as follows:

Republic 3674 (D. Wendell Phillips) Final Bill	\$78. 54
Republic 3674 (Engineers Group, Inc.) July 27-August 6	61. 95
Republic 3669 (Engineers Group, Inc.) July 27-August 6	104. 78
Republic 3669 (James M. Curley) Corrected Bill to Aug. 18	240. 52
	<b>\$485. 79</b>

If our understanding of these bills is not correct, and there is any duplication of charges on any two or more of the attached statements, please credit any balance due us to Republic 3669, listed under Engineers' Group, Inc., and apply against current account.

\*Indent under HN-LSTG. List in Wash. Dir.

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In any event, we should appreciate an acknowledgement of this letter and enclosures.

Yours very truly,

ENGINEERS' GROUP, INC.,  
JAMES FULLER,  
*Executive Vice-President.*

JF: ehc  
Enc.

JULY 28, 1941.

Miss G. M. MOHON,  
*Ches. & Pot. Tel. Co., Washington, D. C.*

DEAR MISS MOHON: This will confirm our conversation of this date regarding listing of Telephones, REpublic 3669, and REpublic 3674 in the name of Engineers' Group, Inc., in the new directory soon to be issued.

This will confirm also, our request that REpublic 3674, listed in the name of D. Wendell Philips, be changed to Engineers' Group, Inc., listing as of July 25, 1941.

Attached hereto is a memorandum, addressed to you, listing the calls which it is our desire you change, for billing purposes, as indicated in the memorandum.

Mr. Marshall J. Fitzgerald, Assistant Secretary of the Engineers' Group, Inc., has been authorized to sign and attest the contract you will forward us upon receipt of this communication, per our conversation.

Your courtesy and cooperation is indeed appreciated.

Very truly yours,

JAMES M. CURLEY, *President.*  
ENGINEERS' GROUP, INC.,  
Per Secretary.

JMC/JS.rv.

EXHIBIT No. 531

CHAS. C. SCHULMAN Co.,  
*Washington, D. C., July 24, 1941.*

ENGINEERS GROUP,  
*1022 Seventeenth St. NW.,*  
*Washington, D. C.*  
(Att. Mr. Fuller)

DEAR SIR: This letter is a confirmation of the statement which I made in your office July 24, saying: "No one has received any share of my personal commission, nor has anyone received any remuneration from my firm, whatsoever, for having accorded the privilege of furnishing your offices."

Trusting the above statement is satisfactory to you, I remain,

Yours very truly,

CHARLES C. SCHULMAN Co.  
S. B. STERN.

SBS: vh

STATEMENT

CHAS. C. SCHULMAN COMPANY, INC.

1528 K Street NW., Washington, D. C.

J. M. CURLEY,  
*1022 Seventeenth St. NW., Washington, D. C.*

8/1/41.

A To Bills Rendered----- \$788. 05



## EXHIBIT No. 532

THE SECRETARY OF COMMERCE,  
Washington, April 21, 1942.

HON. HARRY S. TRUMAN,

*Chairman, Special Committee to Investigate the National Defense Program,  
United States Senate, Washington, D. C.*

DEAR SENATOR TRUMAN: In compliance with your request, I am enclosing a statement with respect to the contract between Defense Plant Corporation and Basic Magnesium, Inc.

The statement deals both with the report of your subcommittee and Senator Bunker's charges on the floor of the Senate.

If any additional information is desired, we shall be glad to supply it.

Sincerely yours,

JESSE H. JONES,  
*Secretary of Commerce.*

STATEMENT OF JESSE H. JONES, SECRETARY OF COMMERCE, WITH REGARD TO THE  
CONTRACT BETWEEN DEFENSE PLANT CORPORATION, AN R. F. C. SUBSIDIARY, AND  
BASIC MAGNESIUM, INC., DATED AUGUST 1, 1941

Attention has been given to the report of the Subcommittee on Light Metals and Aircraft of the Special Committee Investigating the National Defense Program, which criticizes, among other things, the contract above referred to. The report discloses that the subcommittee in its hearing at Las Vegas, Nev., was joined by Senator Bunker of that State, who requested the subcommittee to hold the hearing.

I, of course, agree with that part of the subcommittee's report which states that Government plants should be built as economically as possible. This is a Government plant, and is being built as economically as possible. The criticism of the subcommittee is without foundation.

To begin with, the plant, its process, its capacity, its location, its builder, and its operator were recommended by the War Department and the O. P. M.

Quoting from a report of the War Department at the time the project was initiated:

"\* \* \* We are definitely assured that Basic Refractories will receive necessary assistance from the British technicians of Magnesium Elektron, Ltd., as well as all designs, plans, drawings, specifications, and processes applying to their proposed method of magnesium production, purification, and alloying. \* \* \*

"\* \* \* Our experimental engineering section \* \* \* is assured of the soundness of the plans \* \* \* and has approved the proposed installations to be required for their several plants. \* \* \*

"\* \* \* Basic Refractories has proceeded with the setting up of data for their present project of 33,600,000 pounds and for their proposed project of 112,000,000 pounds with a speed, accuracy, and completeness of detail which are outstanding in industries which we have thus far dealt with \* \* \*."

1. The subcommittee charges that D. P. C. (Defense Plant Corporation) is paying "tremendous fees for know-how."

The plant and necessary appurtenances will cost approximately \$73,500,000 and will have an estimated annual capacity of 112,000,000 pounds of metallic magnesium. The fees to be paid to the 10 contracting and engineering firms (list attached), including \$300,000 to B. M. I. for its technical designs, supervision, engineering, and "know-how" aggregate less than 2 percent of the total cost of the plant.

The services of all these contractors relate not only to the magnesium plant, but also to the chlorine plant and the water, power, and temporary housing facilities. These fees would be low even for an ordinary manufacturing plant, but this plant is designed to produce magnesium on a scale and by a process never before attempted in this country.

It is my understanding that the Departments of War and Navy and the Maritime Commission are authorized to negotiate contracts that carry higher fees, being permitted under present statutes and Executive orders to pay up to 6 and sometimes 7 percent on contracts.

2. The subcommittee charges that B. M. I. is to receive an operating fee which at "maximum operation will equal \$560,000 a year over a possible period of 30 years."

The fee to be paid is one-half cent a pound of magnesium actually produced, which at present prices is only 2 percent of the estimated cost. Again, this is a low fee. Nor will the fee continue over a possible period of 30 years as the committee states. The operating contract is for 10 years, but may be terminated by D. P. C. without any penalty after 3 years of operation. Furthermore, the quantity of magnesium to be produced in any year is subject to the direction of D. P. C., which controls the amount of fees for which D. P. C. would be liable.

It should be remembered that B. M. I. is composed of two groups, first, the American group, owner of magnesite ores with long experience in their processing in other products, and, second, the English group which has the "know-how," the expert knowledge and experience in the magnesium process, to be used in this plant for the first time in this country.

3. The subcommittee charges that "miserable progress" has been made and that the metal-producing units are only 9 percent complete.

The plant is being constructed in a way to begin producing magnesium at the earliest possible moment. At the time the contract was executed, it was estimated that the plant would begin producing by June 1942. D. P. C. engineers were not satisfied with the progress of the job, and in January we requested the War Department, which had initially recommended the contractor, to have one of its principal construction engineers investigate the project. Based on this investigation, steps were taken immediately to expedite the work.

Lt. Gen. William S. Knudsen personally inspected the plant Sunday, April 12, and has advised me that the preparation plant is 60 percent finished, the settling basin 60 percent complete, and the first reduction unit 40 percent complete; that 6,800 men are engaged in the construction work, living in pup tents, shacks, and trailers, in a tremendous effort to get the job done.

Despite complex processes, despite difficulties of adjusting the process to a completely different locale, and despite the familiar problem of delayed deliveries, the construction work has now reached the point where it is estimated that the chlorine plant will begin operations June 20, and that the plant will begin producing magnesium by August 1942.

Building a plant of the magnitude and with the technical requirements of this one in a sparsely settled country far removed from any large centers from which labor can be drawn is no small undertaking, and, all things considered, it cannot be properly charged that any unnatural delay has been occasioned.

4. The subcommittee charges that D. P. C. should not have proceeded with construction until an agreement had been

one-fourth cent a pound of magnesium. D. P. C. may cancel the ore contract if the ore does not prove satisfactory in either quantity or quality. Not only is this a low royalty, but we are advised that it is one of the lowest royalties ever paid for comparable mineral ore in the State of Nevada.

6. The subcommittee charges that if D. P. C. should cancel B. M. I.'s contract because of poor performance, or for any other reason, D. P. C. would have to pay B. M. I. \$1,000,000, that royalties payable to B. M. I. would be doubled, and that these provisions place a premium on "mismanagement and incompetency."

This is not an accurate statement. If the contract is canceled through fault of B. M. I., no payment at all is to be made to it. The contract may be canceled after 3 years even without fault of B. M. I. In such event and the sale of the plant within 10 years after the beginning of operations, D. P. C. has agreed to pay B. M. I. \$1,000,000 as reimbursement for its technical designs and knowledge utilized both in construction and operation. Subsequent to cancellation, the plant can be operated by or for the account of the Government or leased to others without paying B. M. I. any part of the \$1,000,000. Even if the Government should decide to sell the plant to others during the 10-year period and the \$1,000,000 is paid to B. M. I., the total payments on account of all fees in connection with the construction of the plant would be less than 3½ percent.

As to royalties, they will not be increased at all as long as the plant is operated by or for the Government, either by B. M. I. or by others.

\* \* \* \* \*

Relying upon the hearings and the report of the subcommittee, Senator Bunker on the floor of the Senate made the very serious charge of malfeasance against officials of D. P. C. These charges are completely refuted by the facts, are false and misleading, and are, as I have publicly stated, unworthy of a United States Senator.

Many of the charges made by Senator Bunker have already been answered in this statement, and additional charges will now be considered.

(a) Senator Bunker charges that D. P. C. is now repaying Basic Refractories the sum of \$211,000 "expended in the promotion of this enterprise and the negotiation of the contract."

This is not correct. Defense Plant Corporation has a fixed policy of never reimbursing an operator or lessee for expenses incurred in the promotion of his enterprise or in negotiating and obtaining a contract with Defense Plant Corporation.

(b) Senator Bunker charges, with regard to peat moss necessary in the manufacture of magnesium, that D. P. C. is paying "a group of Canadian and American distributors an \$84,000-a-year bonus for the release of their available stock to Basic Magnesium, Inc. Thus the Government is paying distributors for peat moss which they no longer have to distribute."

The payment to distributors to which the Senator refers for releasing their contracts will amount to approximately \$25,000 in connection with the 1941-42 crop, and no payment is to be made in any subsequent year.

The 1941-42 crop of peat was under contract between the producers and distributors at \$1.39 per bale when it was determined that B. M. I. would require the entire crop. It was agreed that the Canadian producers would receive \$1.30 per bale and that the distributors would receive 7½ cents per bale in consideration of the release of all their interests in the contracts and in reimbursement for a portion of the expenditures incurred in connection with the crop. Thus the total price of the peat to the Government will be less than the original price negotiated between the producers and distributors.

(c) Senator Bunker charges that D. P. C. is paying traveling expenses and salaries of 45 officials of B. M. I. now in England studying the magnesium process, and at the same time paying the salaries of English technicians "who are in America promoting the interests of their company."

The English technicians are the men responsible for the engineering and designing of the plant and are indispensable to its completion. Twenty-six representatives of B. M. I. are now in England studying the process, and it is hoped it will soon be possible to send more. D. P. C. would be derelict in its duty of preparing for successful operation of the plant if it did not arrange for training an adequate operating force, and such training can only be had in England.

(d) Senator Bunker charges that D. P. C. agreed "to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project. Thus the Government bought the same plans twice."

The truth is that D. P. C. has agreed with Lescher & Mahoney, a firm of architects at Phoenix, Ariz., on a fee of \$25 a house for the plans and the supervision of construction. In addition they are to receive a fee of \$8,000 for engineering, surveying sites, planning waterworks, sewerage installations, and supervising the utility installations in connection with a large trailer camp.

The total cost of this construction will be approximately \$3,500,000, and customary architectural-engineering fees for the services here rendered would have been 5 percent, or many times the fees which will be paid under the agreement. The architects were chosen because of their special knowledge in the demountable-housing field and because of their successful experience in such housing in the West.

(e) Senator Bunker charges that "the product of the plant is not to be furnished the Government at cost," but is to be sold "at a reasonable price designed to yield a fair margin of profit."

The product of the plant is owned by the Government and any profit upon its sale belongs to the Government.

(f) Senator Bunker charges that B. M. I. stands to make a profit in 1 year of \$2,140,000.

While entirely incorrect, he apparently obtains this amazing figure by lumping together such unrelated items, already discussed in this statement, as the \$300,000 "know-how" and supervisory fee to B. M. I. for the design and construction of the plant, the \$1,000,000 that would be paid B. M. I. in the remote contingency of the sale of the plant to private interests (other than B. M. I.) within 10 years after it begins operations, \$500,000 representing the maximum annual operating fee, and \$280,000 representing the maximum annual ore royalties. These payments could not possibly all accrue in any one year. It is extremely unlikely that all these payments will ever be made. In no event would these payments be all profit.



(g) Senator Bunker charges that B. M. I. has "a carte blanche agreement to act for and in behalf of the Defense Plant Corporation to establish the matter of policy, subject to the 'review' of the Defense Plant Corporation."

No contracts are entered into by B. M. I. in constructing the plant, and no commitments for materials and equipment are made without the approval of an engineering representative of D. P. C. stationed at the construction site, nor are any disbursements made without the further approval of such engineer, and of D. P. C. auditors stationed on the job.

(h) Senator Bunker charges that "there is no obligation on the part of Basic Magnesium, Inc., to repay any of the money paid out by the Defense Plant Corporation. There is absolutely no collateral securing the sums advanced by Defense Plant Corporation."

It should be immediately apparent, upon the most casual reading of the contract, to anyone even remotely interested in ascertaining the true facts, that the situation is not one involving a loan and that there is no question of collateral and of the 'extension of credit on a sound business basis.' D. P. C. owns the plant and will, of course, own all its products. All employees of B. M. I. handling D. P. C. funds are under bond.

\* \* \* \* \*

We do not object to honest or fair criticism, but unwarranted charges tend to discredit honest officials and destroy confidence in our Government at the most crucial period of its existence.

*Defense Plant Corporation, Fees, constructions: Re Basic Magnesium, Inc.  
(fees)*

Company	Nature of work	Location of work (all in Nevada)	Estimate	Fee
McDonald Engineering (Co. (contractor).	Construction.....	Gabbs.....	\$2,804,624.00	\$76,488.00
Fritz Ziebarth (con- tractor).	Power lines, phone installa- tions.	Las Vegas, Gabbs...	4,487,500.76	117,507.83
Engineers' Limited (con- tractor).	Water installations.....	Lake Mead to Las Vegas.	3,254,115.07	87,440.05
J. M. Montgomery & Co. (architect-engineer).	Architectural and engineer- ing, construction on water supply and power lines.	Las Vegas.....	6,079,832.00	51,478.99
Southwestern Engineer- ing (architect-engineer).	Architectural and engineer- ing on construction.	Gabbs.....	2,675,624.00	30,472.00
Harrop Ceramic Service (engineer-contractor).	Architectural and engineer- ing, construction tunnel kilns.	Midway.....	945,798.00	50,041.49
H. K. Ferguson Co. (architect-engineer).	Architectural and engineer- ing, construction chlorine plant.	Las Vegas.....	7,287,918.00	59,082.00
McNeill Construction Co. (contractor).	Construction.....	.....do.....	34,700,000.00	500,000.00
Coverdale & Colpitts (architect-engineer).	Supervision of construction and engineering.	Gabbs, Las Vegas...	.....	100,000.00
Lescher & Mahoney.....	1,000 houses utility layout...	Midway.....	3,500,000.00	25,000.00 8,000.00
Subtotal.....	.....	.....	.....	1,105,510.36
Basic Magnesium, Inc....	Supervision plans, etc.....	.....	.....	300,000.00
Total.....	.....	.....	.....	1,405,510.36

The aggregate of all fees for construction run slightly less than 2 percent of the contracts involved. The contracts for each of the contracting and engineering firms were specifically approved by Defense Plant Corporation as to nature of work, amount of contract, and fee involved.

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"EXHIBIT No. 533" introduced on p. 5179, is on file with the committee.

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"EXHIBIT No. 534", introduced on p. 5179, is on file with the committee.



## EXHIBIT No. 535

*Comparison of housing requirements for peak employment of 100,000 and 60,000, respectively, in Willow Run area*

## A. WORKERS REQUIRING HOUSING IN WILLOW RUN AREA

	Peak of 100,000 <sup>1</sup>	Peak of 60,000 <sup>2</sup>
(1) Anticipated Peak Employment.....	100,000	60,000
(2) Present Employment.....	<sup>3</sup> 20,000	<sup>3</sup> 20,000
(3) Anticipated Additional Employment.....	80,000	40,000
(4) Portion of Additional Employment to Commute from Detroit.....	<sup>4</sup> 29,600	<sup>4</sup> 14,800
(5) Workers Requiring Housing in Willow Run Area.....	50,400	25,200

B. TYPES OF HOUSING REQUIRED <sup>5</sup>

	Number		Number
<i>Peak of 100,000</i>		<i>Peak of 60,000</i>	
(1) Single Workers Require 15,120 dormitories or rooms.....	15,120	Single Workers Require 7,560 dormitories or rooms.....	7,560
(2) Workers in 8,400 two-person families require 8,400 dormitory apartments.....	12,600	Workers in 4,200 two-person families require 4,200 dormitory apartments.....	6,300
(3) Workers in 18,144 larger families require 18,144 family dwelling units.....	22,680	Workers in 9,072 larger families require 9,072 family dwelling units.....	11,340
	50,400		25,200

## C. METHOD OF MEETING HOUSING REQUIREMENTS

	Dorms.	Peak of 100,000		Dorms.	Peak of 60,000	
		Dorm. Apts.	Fam. Dwel. Units		Dorm. Apts.	Fam. Dwel. Units
Total Need.....	15,120	8,400	18,144	7,560	4,200	9,072
Use of Existing Dwellings <sup>6</sup> .....	4,500	1,800	0	4,500	1,800	0
Additional Requirements.....	10,620	6,600	18,144	3,060	2,400	9,072
Units Programmed (Public) <sup>7</sup> .....				3,000	<sup>8</sup> 1,000	4,500
Units Programmed <sup>7</sup> .....				0	0	4,500

<sup>1</sup> (Private) U. S. Employment Service for Michigan, February 26, 1942, basis for Locality Program Report No. 4, Approved April 24, 1942.

<sup>2</sup> Figure presented in writing by WPB on May 9, 1942, substantiated further in discussions with Ford officials as late as July 7, 1942.

<sup>3</sup> It is assumed for the purpose of programming that all of the 20,000 workers now employed in the area are housed satisfactorily.

<sup>4</sup> This figure represents 37 percent of the anticipated employment. Up to the present, about 37 percent of those employed in the Willow Run area are commuting from Detroit, and it is unreasonable to assume that a larger percentage will so commute as commuting facilities and housing accommodations in Detroit become increasingly strained.

<sup>5</sup> It is estimated that 30 percent of the workers will be single or without their families, that 25 percent of the workers will be members of 2-person families, and that 45 percent of the workers will be members of larger families. This distribution among various family sizes is based upon current estimates being furnished to NHA in discussions with the War Manpower Commission. Each 2-person family is estimated to furnish 1½ workers, and each larger family 1¼ workers.

<sup>6</sup> There are about 18,000 existing occupied structures within a 10-mile radius of the Bomber Plant. It is calculated that 1 out of 4 of these structures will be able to take in a single war worker, and that 1 out of 10 of them will be able to take in a 2-person family. This is the basis of the estimate that 4,500 single rooms and 1,800 apartments for couples in existing dwellings can be made available by rigorous utilization policies.

<sup>7</sup> Applying the same methods of programming to a peak employment of 100,000 that are now being applied to a peak employment of 60,000, would lead to a result of 10,000 dormitories, 3,000 dormitory apartments, 13,000 family dwelling units (public) and 5,000 family dwelling units (private). The old program as of April 24, applying less stringent methods, contemplated, on the basis of a peak employment of 100,000, about 10,000 dormitories, 8,000 dormitory apartments, 15,000 family dwelling units (public) and 5,000 family dwelling units (private).

<sup>8</sup> The units programmed fall far below the additional requirements, it being deemed imperative to get substantial portions of the program under way at once, with a clear reservation that in all probability it will need to be expanded later on.

## EXHIBIT No. 536

*Comparative critical material weight analyses for various types of housing facilities*

[Weight of critical material in lbs. per D. U.]

Type	For Dwelling Units and Site Improvements <sup>1</sup>
Type A: Prewar Permanent Housing—	9712.
Type B: Permanent or Demountable War-Type Housing Proposed in Detroit Area.	2478.4 or 25.6% of type "A" housing.
Type C: Temporary War Housing—Row Houses.	2235.8 or 23% of type "A" housing or approximately 90% of type "B" housing.
Type D: Dormitory Apartment-----	1488 or 15.3% of type "A" housing or 60.5% of type "B" housing.
Type E: Dormitory-----	373 or 3.8% of type "A" housing or 15.2% of type "B" housing.

<sup>1</sup> The figures in this column do not include critical materials for off-site laterals. If these are included the totals would be as follows: 10371 lbs. per d. u. for type "A" housing; 3018 lbs. per d. u. for type "B" housing (or 92.5% of type "A" housing); 2975 lbs. per d. u. for type "C" housing (or 27% of type "A" housing or 92.5% of type "B" housing); 1606 lbs. per d. u. for type "D" housing (or 15.5% of type "A" housing or 53.2% of type "B" housing), and 424 lbs. per d. u. for type "E" housing (or 4.1% of type "A" housing or 14% of type "B" housing).

Comparative critical material weight analysis for various types of housing facilities

[All weights in pounds per dwelling unit]

Types of houses	Critical material	Sewers	Water supply	Electric distribution (inc. street lights)	Gas distribution	Building construction (structural)	Plumbing (inc. gas piping)	Heating system	Electric wiring system	Equipment	Total weight in lbs/du	Critical material requirement	
Prewar family dwelling units (permanent)	Cast Iron	25.00	890.00			237.00	590.00	1,350.00		50.00	3,142.00	100%.	
	W. I. and Steel	50.00	90.00	11.00	210.00	4,990.00	210.00	250.00		32.00	6,148.00		
	Copper and Brass		8.00	16.50	2.00	.75	218.60	13.00	305.00	17.15	276.00		
	Lead		21.60	.40		8.00	70.00				100.00		
	Zinc		8.00			.50	5.00		16.20	6.30	36.00		
Permanent family dwelling units for war housing	Tin, Nickel, etc			1.50		.25	.50		2.50	.25	1.00	Critical material requirement is 25.3% of prewar permanent family dwelling units.	
	Rubber						5.00				9.00		
	Grand total										9,712.00		
	Cast Iron		165.90				239.00	573.90		12.00	990.80		Critical material requirement is 25.3% of prewar permanent family dwelling units.
	W. I. and Steel	10.71	44.00	17.88	237.30	341.00	432.00	157.10	5.00	81.50	1,326.49		
Copper and Brass		7.60	17.16	3.10	.75	14.00	1.80	9.41	.25	54.07			
Lead		7.00	.10	.80		54.00		.36		62.26			
Zinc					8.00	11.70			1.50	21.20			
Temporary family dwelling units for war housing	Tin, Nickel, etc		2.20			.50			1.20		3.40	Critical material requirement is 23% of prewar permanent family dwelling units or 90% permanent family dwelling units for war housing.	
	Rubber												
	Grand total										2,458.71		
	Cast Iron		132.70		2.30		215.00	573.90		12.00	935.90		Critical material requirement is 23% of prewar permanent family dwelling units or 90% permanent family dwelling units for war housing.
	W. I. and Steel	6.96	35.20	13.41	178.00	307.00	389.00	157.10	4.00	81.50	1,172.17		
Copper and Brass		6.10	12.87	.64	.70	12.60	1.80	7.53	.25	42.49			
Lead		15.60	.08			48.60		.29		64.57			
Zinc					7.20	10.50			1.50	19.20			
Temporary family dwelling units for war housing	Tin, Nickel, etc					.45			.96		.96	Critical material requirement is 23% of prewar permanent family dwelling units or 90% permanent family dwelling units for war housing.	
	Rubber												
Grand total											2,235.74		





"EXHIBIT No. 537" appears in text on p. 5254

# EXHIBIT 538

## STATEMENT ON ANALYSIS OF W. P. A. SURVEY OF VACANT LOTS IN DETROIT METROPOLITAN AREA IMPROVED WITH SEWER AND WATER SERVICES

During public discussions of this public housing program, statements have been made over and over again that there were adequate facilities in the communities within a 20-mile radius of the Bomber Plant and that all new housing should be located in these communities rather than in any large concentrated developments. At the beginning of the studies for this program, it was recognized that this contention was definitely worthy of investigation and a W. P. A. survey was made of Public Works and Services within the Metropolitan Area of Detroit. The Metropolitan Area was divided into seven subareas and the data was reported for each of these subareas individually, as well as for the entire Metropolitan Area. Two subareas reported on as Area No. 2 and Area No. 3, covered with minor exceptions all of the Metropolitan Area which lay within the 20-mile radius. The other areas were not only too far from the Plant to be considered within commuting distance, but they were also removed from possible railroad connections, and, therefore, were considered outside the scope of this program.

Area No. 2 comprised a belt 12 miles wide north and south and about 30 miles long east and west, immediately west of Detroit and extending to and including Ann Arbor. The total number of vacant lots reported with water and sewer installed was 17,000. Of these 17,000, 6,800 were located in Dearborn City, 2,250 in Dearborn Township, 1,893 in Garden City, 1,100 in Inkster, 2,600 in Wayne, 500 in Ypsilanti, and 1,380 in Ann Arbor. Not all of these lots could be considered properly located for housing development of any kind; many were within or in close proximity to neighborhoods where Lanham Act housing would be considered undesirable; except for Dearborn City, Ypsilanti, and Ann Arbor, new trunk water and sewer main construction would be necessary to make the improvements serviceable; furthermore, there was no assurance that many sewers, installed 15 years previously and unused since that time, would be in good repair and usable. The conclusion reached after analysis of these facts and a survey of the areas themselves was that all desirable lots in Dearborn and Ann Arbor would be used by private builders who were at that time carrying on a very active construction program. The improved vacant lots in Inkster, Wayne, Garden City, and Ypsilanti were no more than adequate to serve the private construction programmed for the area west of Dearborn.

Area No. 3 included communities in the eastern portion of Wayne County extending from the Detroit City limits to the southerly boundary of the County. The total number of vacant subdivided lots with sewers and water mains to the property totaled 54,800. However, a large portion of the areas with large numbers of subdivided lots were beyond the 20-mile distance from the Plant considered maximum for commuting distance. In addition, a substantial number were not well located for Lanham Act housing but were in immediate proximity to industrial plants, railroad yards, and other adverse influences or were within the neighborhoods already partially developed with a substantially higher type of housing. This analysis left the western portion of Lincoln Park, portions of Allen Park, and of Ecorse Township as worthy of further consideration. These areas were carefully investigated in the field, and conferences were held with representatives of the Detroit Water Board and the Wayne County Road Commission to determine the usability of the existing water and sewer services. The result was that although these areas were proper for new construction and were in general satisfactorily served with trunk sewers, there was a definite lack of basic water supply due to inadequate trunk mains extending south from Detroit. There was considerable private building activity, and it was the opinion of the Water Board officials that this private building, together with that to be anticipated within the subsequent 18 months, would over-tax water service to a point where low pressure might leave built-up areas without adequate service.

An additional consideration was the fact that these areas were immediately tributary to the Ford River Rouge Plant and its attendant new war industries. Employment estimates had assumed that a large number of employees at the Willow Run Plant would come from the River Rouge Plant, but at the same time it was estimated that the River Rouge employment would equal, if not exceed,

peak peacetime levels. Because of this, it appeared that all available and serviceable utilities in the Allen Park, Lincoln Park, and the Ecorse Township area could be used for private enterprise construction to serve the Willow Run Bomber Plant or River Rouge and attendant plants.

After this analysis of the survey had been made, conferences were held with FHA officials and representatives of the National Resources Planning Board, the Federal Works Agency, and local agencies particularly concerned. The general agreement was that the new public utility construction necessary for this area should be concentrated in supplying the territory along the Michigan Central Railroad and some area for large development near the Bomber Plant, thereby providing service to a number of areas for private development; those areas already adequately served with utilities would be left for the balance of private construction. Public housing construction by FPHA in general assumed the burden of developing new sites, since public funds would be necessary for new construction in any case and new services within a FPHA development would be used to the utmost capacity and could be designed to serve specific uses, rather than being constructed prior to developments which would be uncertain in extent and also uncertain as to possible execution.

In addition to the communities described above, there were reports on small villages, such as Romulus, Belleville, Riverview, Rockwood, Flat Rock, etc. Most of these villages were a considerable distance from the Plant, but, in addition, in practically every case there were inadequate utilities and community services to take care of any substantial increase in population. Not more than 100 or 200 public housing units could be located in such villages. Such an approach to the problem would result in wide dispersion of small developments uneconomical to manage and operate, and the total housing provided would be only a small fraction of the need.

Of almost equal significance with utilities is the problem of supplying community services to the large population involved in a program of this scale. Again wide dispersion of the housing would be the most uneconomical approach. Much more service for the expense involved, and the materials and labor used, could be gained by concentrating developments and then providing just sufficient services to permit adequate living during the war period. Schools, for example, were crowded in all areas tributary to the Bomber Plant. New school construction for the new families would be far more economical if concentrated in a few large schools where equipment and teaching facilities could be utilized to the utmost, and a much higher standard of education could be made available to the pupils. Also, a widespread network of bus lines with a limited patronage from small developments would be far more wasteful of rubber than a few large developments very near the Bomber Plant from which buses would always be filled and bus miles reduced to a minimum.

To sum up, the WPA survey was an extremely valuable instrument in the organization of the total housing program, both public and private, but, in using it as a basis for planning, qualitative factors were as important as quantitative data. It was necessary to interpret all data in its relation to the other factors involved in the housing program. The charge that this survey was disregarded in the organization of the program cannot be substantiated simply because many lots reported improved with sewer and water were not utilized. It has long been recognized in the Detroit Area that previous excesses in land subdivision left vacant lots with improvements in locations which should never be developed with housing and which would, if developed, become major problems of the community at large. Those engaged in the planning and organization of this particular program would have been derelict in their duty if they had failed to interpret the survey data and to use it just insofar as it applied to the particular problem and in a manner which would leave the local governments with a minimum of problems for post-war years.

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EXHIBIT No. 539

JULY 17, 1942.

MR. MAURY MAVERICK,

*Chief, Bureau of Governmental Requirements,*

*War Production Board, Washington, D. C.*

DEAR MR. MAVERICK: The estimated quantities of materials required for the construction of a supply watermain (Docket Mich-20073) from Wayne, Michi-

gan, to a point East of Ypsilanti, Michigan, including the underground reservoir, booster pumps, valves, and appurtenances based on the reduced housing program (as outlined by Mr. William K. Divers, National Housing Administration, on July 15, 1942) are as follows:

- 50,000 Lin. ft. of 30" water pipe.
- Three 4 M. G. D. service pumps—300' head.
- One 1,500,000 gal. reservoir.

If cast-iron pipe is available, the weights of the necessary materials are as follows:

- 50,000 Lin. ft. 30" water pipe, 9,250 tons.
- 175,000 lbs. joint compound (leadite).
- 150 Tons valves and accessories.

If reinforced concrete pipe is available there will be required 50,000 lineal feet of 30" reinforced concrete pipe containing the following materials:

- 1,650,000 Lbs. steel sheets (10 gauge).
- 1,125,000 Lbs. reinforcing rods.
- 75,000 Lbs. wire.
- 325,000 Lbs. strips.

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4,175,000 Lbs. Total.

- 45,000 Lbs. rubber gaskets.
- 150 Tons valves and accessories.
- 1,500,000 Gal. reservoir.
- 25 Tons reinforcing steel.
- 150 Tons valves, fittings, and accessories.

Under present provisions the reservoir will be covered by a wood roof.

Pumps:

- Three 4 M. G. D. 300' head.
- Power wiring—controls, etc., for 1,100 H. P. full load.
- Copper wiring—30,000 Lin. Ft.
- Transformers—complete with ground installation (2) 1,000 KW.

The above estimate is predicated on similar installations and may be subject to revision in quantities as detailed plans are developed.

Sincerely yours,

[S] BAIRD SNYDER,  
Assistant Administrator.

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#### EXHIBIT No. 540

EXECUTIVE OFFICE OF THE PRESIDENT.  
OFFICE FOR EMERGENCY MANAGEMENT,  
OFFICE OF DEFENSE TRANSPORTATION,  
Washington, D. C., July 3, 1942.

Mr. HUGH A. FULTON,

*Chief Counsel, Special Committee Investigating the National Defense Program, United State Senate, Washington, D. C.*

DEAR MR. FULTON: Mr. Nicholl advises that you wish a statement from this Office regarding the transportation facilities at the Ford Willow Run Bomber Plant.

Originally we were advised that the maximum employment at this plant would be 100,000 and that there would be housing facilities built to accommodate approximately 52,000 workers and of this number 22,000 would be housed within walking distance of the plant and the remainder in the neighborhood of Wayne and Inkster. Also we understood that many of the employees would continue to live in Detroit and towns in the vicinity of the plant such as Ann Arbor and Ypsilanti.

Based on this understanding, a survey was made of the available equipment in this area. Our study shows that there is at present adequate bus equipment in Detroit and the surrounding territory to serve this plant, providing that the Ford Motor Company cooperates with the local transportation companies and



staggers their starting and closing times so that they will not coincide with the peak load periods of these companies.

The Ford Company officials have expressed their willingness to do this.

Very truly yours,

GUY A. RICHARDSON,  
*Director, Division of Local Transport.*

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EXHIBIT No. 541

EXECUTIVE OFFICE OF THE PRESIDENT,  
OFFICE FOR EMERGENCY MANAGEMENT,  
OFFICE OF DEFENSE TRANSPORTATION,  
*Washington, D. C., July 3, 1942.*

Mr. J. B. BLANDFORD, Jr.,  
*Administrator N. H. A.,  
1600 I Street, Washington, D. C.*

DEAR MR. BLANDFORD: Confirming the advice given members of your staff at a meeting in Mr. Guy A. Richardson's office on July 1st, our recommendations with reference to the location of housing at the Willow Run Bomber Plant are as follows:

(a) As much housing as is possible should be located within walking distance of the plant.

(b) Any housing which cannot be within walking distance should be located as close to the plant as possible.

(c) Housing that cannot be located within walking distance should, wherever possible, be located near railroad lines which serve the plant.

Of course, we realize that other factors such as utilities, community facilities, etc., must be considered.

Very truly yours,

[s] JOSEPH B. EASTMAN, *Director.*

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EXHIBIT No. 542

STATEMENT BEFORE THE TRUMAN COMMITTEE RE WILLOW RUN HOUSING PROGRAM  
BY GEORGE MEADER, PROSECUTING ATTORNEY, WASHTENAW COUNTY, MICH., JULY  
22, 1942

We understand the program of the Federal Public Housing Agency for the public housing of workers at the Willow Run Bomber Plant as revised July 16, 1942, to be as follows:

- I. 3,000 Dormitory units at Willow Run instead of 10,000.
- II. 2,000 Single dwelling units at Wayne and Inkster instead of 7,100.
- III. 1,000 Light housekeeping units at Willow Run instead of 8,000.
- IV. New city of 2,500 permanent single dwellings in Superior Township, with attendant municipal facilities, instead of 6,000.

No objection is made to items one, two, and three of the above program. We are satisfied that they are necessary to supplement private construction in the area to relieve the housing shortage arising from the requirements of the Willow Run Bomber Plant.

It is only to item four, the erection of a complete, new, permanent city with all attendant municipal facilities in the midst of raw farming country at a substantial distance from the plant, that objections have been raised that have come to our attention.

It is my purpose to summarize what I consider to be the outstanding problems involved in the erection of the new city. I shall do this briefly and at appropriate points will call attention to features which are within the peculiar field of knowledge of others present, suggesting that if the Committee is desirous of further detail, those persons might be called upon.

THE NEW CITY

Plans originally called for the use of 9 out of the 36 sections of Superior Township, Washtenaw County, and parts of 3 sections in Ypsilanti Township,



an area roughly three miles east and west, and five miles north and south bounded by Cherry Hill Road on the north, the county line on the east, Michigan Avenue on the south, and Prospect Road on the west. The nearest point of this rectangular-shaped city would be approximately a mile from the nearest point of the Bomber Plant property, and the farthest point of this new city would be in excess of five miles from the Bomber Plant property. We have not learned the area of the city under the revised program.

The nature of the area included within the above boundaries is rich farmland with very little, if any, artificial drainage and relatively few hard-surfaced roads, and practically no prior subdivision activity, having been devoted almost exclusively to agricultural pursuits.

There is accordingly practically nothing for the city builder to use in connection with his task, but he will be forced to begin from the ground up and install all the usual municipal services from beginning to end; drainage for surface water resulting from the increase of impervious surfaces such as roofs, streets, and sidewalks; grading of streets, if indeed it will not be necessary to pave them, and build sidewalks; the extension of utilities such as light, gas, and telephone, with the erection of the usual municipal stations and offices for the handling of accounts; the installation of water mains and stations and the laying of a sewage system with a sewage-disposal plant; the erection of shopping centers and community, governmental, educational, recreational, religious, and hospital buildings.

All of the foregoing it will be noted will be required as additional outlay not figuring in the cost either in dollars and cents or in material and manpower for the erection of the houses themselves and represents a large part of the saving in material that would be realized if the permanent dwellings were located in areas adjacent to existing communities where the above facilities are already available.

The plans call for the erection of 2,500 separate, single dwellings of the same size but different elevation, none to exceed \$4,500 in construction cost (the Federal act limits the average to \$3,750 each) without basements, furnaces, or bathtubs, possibly with cement floors, to house families averaging four persons. It is difficult to believe that the suggestion was made seriously, but in a letter of the United States Public Health Survey dated May 18, 1942, addressed to the Health Department of the State of Michigan, it was suggested that because of the haste and shortages of materials in defense housing it might become necessary to permit private wells and private sewage equipment in connection with each dwelling. The 6,000 wells and 6,000 septic tanks on 6,000 lots, 50 x 130, is an almost unthinkable situation.

#### STRATEGIC MATERIALS

The foregoing discussion leads naturally to a statement of our first, and what we think is the most important objection to the program as contemplated, that is, that it will require tremendous amounts of strategic materials and manpower, thus diverting them from the defense production program.

While we do not have access to the plans of the Housing Authorities, we understand that it is contemplated to furnish water to the new city by connecting it with the Detroit water system. This will require immense amounts of steel pipe for the mains, as well as the miles and miles of street laterals and house connections. Similarly, the sanitary sewage system will require tremendous amounts of iron pipe. This, of course, will be augmented by the materials necessary for a sewage-disposal plant and for a pumping station. The amounts of copper wire involved in the extension of utilities to serve this area, together with the necessary equipment and branch stations, will use great quantities of copper and other critical metals. We understand that the Federal Housing Authorities have made application to the War Production Board for the allowance of priorities on these items and probably a more accurate estimate of the amounts and particular types of metals required can be obtained there.

Obviously, the construction of these public works as well as the preparation of the area and the construction of the dwellings themselves will consume a great number of man-hours, diverting the manpower in this production area from work in war industries.

If this were necessary, of course, there could be no alternative, but we are of the belief that the Federal Housing Authorities have failed to give adequate consideration to the alternative of placing these permanent dwellings in areas between the Bomber Plant and the city of Detroit proper where sewage and water

facilities as well as the service of public utilities already exists or can be made available by relatively small expansion. It should also be pointed out that in these areas drainage and street grading have been completed and in many cases curbing, sidewalks, and street surfacing as well.

We also point out that in the scattered construction at some distance from the Bomber Plant there would be less traffic congestion and delay arising from conflict with the normal flow of materials and production workers during the time of construction, a considerable period of which would also be complicated by the extensive highway construction now going on.

It is also obvious, of course, that the erection of permanent single dwellings requires a substantially greater amount of strategic materials and manpower than would be necessary in the erection of temporary dormitories or apartment house units.

As to the engineering problems involved and the quantities of material and labor, Professor Henry E. Riggs is well informed and is available to testify. On the matter of availability of lots already serviced with water and sewage, see the W. P. A. survey. Willis Hall, economist and statistician of the Detroit Board of Commerce is well informed on this subject and is available to testify.

#### NUMBER OF WORKERS TO BE ACCOMMODATED

Apparently the Housing authorities were counting on a peak employment of 80,000 to 100,000 at the Willow Run plant. We are informed that they are not responsible for the figures but secured them from W. P. B. Yet, the Ford Motor Company officials have repeatedly given assurances that no more than 60,000 will be employed at the maximum. Apparently the Federal Public Housing agents now accept this figure—which accounts for the revision they have announced.

20,000 employees now being at work and using private housing accommodations, there would be, at the most, an additional 40,000 to be accommodated. The temporary housing of 3,000 dormitory units, 1,000 light housekeeping units, 2,000 single dwelling units at Wayne and Inkster, being a total of 6,000 units, will accommodate an estimated total of 6,900 workers, and would seem to satisfy the public housing requirements for Willow Run, especially since the remainder could certainly be serviced by private construction.

If more housing is necessary we think the Government should provide the temporary structures and leave the construction of permanent homes to private industry.

No one can now foresee what use will be made of the Bomber Plant at the cessation of hostilities, and it is entirely possible that it will not be able to be used at all in the immediate post-war period. At least there will be a long period of adjustment, since the construction of bombers is so peculiarly a wartime activity.

Be that as it may. We suggest it is the course of wisdom to build housing for that time when it arrives and not to divert from the immediate program of winning the war any of the resources and effort which are so necessary.

We suggest also that when the shortage of labor disappears workers at the future Willow Run plant may prefer to drive from some distance rather than to live continuously in the shadow of the factory. We think the experience of the last ten years bears out this possibility.

#### DELAY IN CONSTRUCTION OF THE PERMANENT NEW CITY

Engineering estimates indicate that the new city could not be ready for occupancy until the end of 1943 and possibly not until some time in 1944, and this does not take into account the construction of public buildings, schools, hospitals, etc. For further details on this matter we refer to Professor Riggs.

The peak of employment at the Bomber Plant will be reached early in 1943 (refer to Ford Motor Company officials), and there will remain therefore the problem of housing workers during the period of construction, and the question naturally arises whether because of shortages of materials and manpower the new city would ever be completed in time to be of use until after the cessation of the war, at which time, of course, the use of the Bomber Plant itself is entirely speculative.

#### PRIVATE BUILDING OF DEFENSE HOMES

We understand that at the outset of the defense housing problem in the Detroit area an allotment was tentatively agreed upon between Public Housing authori-

ties and private builders, contemplating the erection of some 30,000 homes by private financing and construction. We also understand that due to orders of the War Production Board denying priorities on further building this construction work has practically been stopped.

If materials are available for the construction of 2,500 new permanent dwellings in a new city in raw farm country, why should not these same materials be made available to private building contractors and let them assume the burden which otherwise will be placed upon government finances. It strikes me that every home that is built by private enterprise which adequately serves the defense housing needs is almost tantamount to the purchase of an equivalent amount of defense bonds, since it frees that much public money otherwise in the war effort.

Mr. Hall, of the Detroit Board of Commerce, is well informed on this matter, and I understand that there are representatives of the private builders here from whom other details of this feature of the problem could be obtained.

#### GOVERNMENTAL PROBLEMS

The erection of 2,500 dwellings and community buildings does not complete the establishment of the new city. A form of government must be set up, either municipal or village, and certain public services that we are accustomed to must be furnished, such as education, police and fire protection, personnel for the maintenance of streets, sidewalks, parks, and public works generally. If this is to be a democratically formed government, nothing can be done toward its establishment until the new city is inhabited. It is doubtful whether, under Michigan statutes, the new city could be incorporated because of the residence requirement of 3 years for the city charter commissioners and that at least 100 petitioners be freeholders.

We do not propose to dwell upon these problems, only to call attention to them and to suggest that if the permanent dwellings were located in existing municipalities these services could be furnished without much, if any, additions to personnel and without the confusion attendant upon the establishment of a new governmental unit.

#### MILITARY STRATEGY

We desire merely to raise the problem of the location of these permanent dwellings with relation to the Bomber Plant as a matter of military strategy or civilian defense. We wonder whether or not the concentration of these dwellings so that they might be a target equivalent to the plant itself as a military objective would, if subjected to demolition or incendiary bombing or sabotage, be more disruptive of the flow of production in the plant than if the workers were scattered over a larger area. This, of course, is a matter of expert opinion and we only inquire whether or not the housing authorities have explored this question with the appropriate military and civilian defense agencies.

#### GHOST TOWN

Of course, the County of Washtenaw and its governing body, the Board of Supervisors, as whose spokesman I appear here, has a very definite interest in this Federal Housing Program. We are fearful that this permanent city may not, in the post-war period, be permanently occupied; that it will become a repository for the flotsam and jetsam of humanity and will be a perpetual eyesore and source of public attention both as to law enforcement, social work, and public assistance.

In this connection we wonder if the Federal Housing authorities have found a satisfactory solution to the racial problem so that there will not be a repetition of the Sojourner Truth Housing incident, and what assurance they can give that even during the war period this new city will be a desirable residential location.

The matter of payments in lieu of taxes under the Lanham Act and what financial support the county may expect in return for the services that are required of it; the extent to which any possible welfare burden in this new city would fall upon the county in the event of irregular employment; the extent to which the authorities expect to observe zoning and building ordinances now in the process of drafting by the County Board of Supervisors; to what extent the erection of this new city will affect the beautification of the Huron River and the program of the Huron-Clinton Metropolitan Authority; all of the above and a host of other local governmental problems directly affect the County of Washtenaw, its Board of Supervisors, its officials, and its residents. We feel we will be called upon to take part in the adjustment resulting from the location of the



Bomber Plant, but our inquiries, protests, suggestions have been met only with the broad statements on the part of the housing authorities that all of these matters have been considered and have been solved.

We have consistently taken the position that if this thing is necessary we will get behind and help put it across, but we are not willing merely to take someone's statement that it is so in the face of all of the factors indicated above and many others which make it appear to be a very unwise, wasteful, and speculative social adventure at a time when the nation is crying for men and materials in its desperate, belated, and transcendental effort to arm itself to preserve its existence.

Respectfully submitted.

GEORGE MEADER,

*Prosecuting Attorney, Washtenaw County, Michigan.*

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EXHIBIT No. 543

STATEMENT OF HENRY E. RIGGS, RETIRED PROFESSOR OF CIVIL ENGINEERING AT UNIVERSITY OF MICHIGAN, BEFORE THE TRUMAN COMMITTEE REGARDING THE PROPOSED PERMANENT CITY TO HOUSE WILLOW RUN EMPLOYEES. JULY 22, 1942

MR. GEORGE MEADER,

*Prosecuting Attorney, Washtenaw County.*

DEAR SIR: After reviewing the revised estimate of Housing as submitted by Mr. Blandford as of July 16th I have attempted to analyze these figures to find the basis for the heavy cut in Temporary Housing and the much smaller reduction in permanent housing, below the original estimate. This explanation is not to be found in the report and I am unable to see the soundness of the plan now suggested.

It would appear that this new set-up fails to give due weight to several very important factors of the problem. These were fully discussed in my former communication to you, and need no further argument here.

These are:

(1) The Housing plan disregards the very temporary nature of the manufacture of Bombing Planes; the complete uncertainty as to the future use of the plant; and the very limited opportunity for the future industrial employment of great numbers of people in Washtenaw County.

(2) The fact that at least 500 to 600 small houses have been built within the past year in Washtenaw County, evidently in anticipation of the opening of this plant, and are now occupied, although some of them are not yet completed. These were by no means all financed by F. H. A.

(3) The fact that this plant is on the western edge of one of the most densely populated areas in the United States, and the further fact that a very large proportion of the present employees, numbering some 20,000, are permanent residents of Wayne and Washtenaw Counties, and that many of these people have never before been in industrial employment and probably will not continue in it after the war.

(4) The fact that in addition to the bus lines operating from Detroit to the plant, more than twenty bus routes have been in operation for six weeks by the Greyhound and other interurban bus companies. These routes serve every city and village and every principal country road within a 25-mile, or greater, radius, with the plant as center.

This Bomber Plant was planned and under construction long before December 7, 1941, and this housing problem is not a new thing. Some housing should properly have been completed and ready to serve by April 1942 when the extent of the project was first made public to citizens of Washtenaw County. Three months have elapsed since we were first informed of this project, during which no construction work has been done and apparently little if any progress has been made on plans.

Planning today must properly take into account conditions as they now exist. There is a housing problem, there is no doubt of that, and it soon will become acute. The plant is in operation. Many houses were built or started before the fear of government housing checked private construction. There are doubtless a good many immigrants attracted by good wages and the prospect of a year or two or steady employment. This is evidenced by the search for houses and by the several trailer camps. But the majority of these people will not remain in Michigan when the war is over and employment stops.



To an engineer who has had experience in the building of works which call for temporary employment lasting perhaps two to four years, it would appear that the wise policy for the Federal Government is to provide the temporary housing needed for the emergency, and to leave all permanent housing to local agencies, which in this case are abundantly qualified to build 20,000 to 30,000 or more units if needed.

I have prepared a table showing:

In Column 1, The Federal Public Housing Authority Early estimate.

In Column 2, The Revised Estimate as of July 16th.

In Column 3, The percentage that the revised estimate is of the original.

In Column 4, A suggested further revision.

In Column 5, The percentage that this revision is of the original.

My revision adds to the Temporary Units and eliminates the 2,500 houses left in the new "City." Certainly there can be no justification for building water works and sewers for this amount of housing. The cost per unit would mount to a very high figure.

As to water supply for temporary housing, it would appear, from reports of the Engineers of the City of Ypsilanti that a supply for temporary housing of 8,000 to 10,000 units could be secured there. This subject merits full study.

Respectfully submitted.

[S] HENRY E. RIGGS.

*Comparison of FPHA estimates of employment and housing*

	(1) Estimates of June and prior months	(2) Revision of July 16, 1942	(3) Col. 2 is percent of Col. 1	(4) Suggested further revision	(5) Col 4 is percent of Col. 1
			<i>Percent</i> 60		<i>Percent</i>
Maximum Employment.....	100, 000	60, 000			
<i>Housing (No. of Units)</i>					
Temporary Dormitories (Govt.) Units...	10, 000	3, 000	30	4, 000	40
Temporary Light Housekeeping (Govt.) Units.....	8, 000	1, 000	12½	2, 500	31¼
Permanent Dwellings:					
Wayne, Inkster (Govt.).....	7, 100	2, 000	28. 17	2, 000	28. 17
"Bomber City".....	7, 900	2, 500	31. 64		
Private Construction Dwellings.....	10, 000	4, 500	45. 00	4, 500	45. 00
	43, 000	13, 000	30. 23	13, 000	30. 23
<i>Analysis</i>					
Total Government built temporary units..	18, 000	4, 000	22. 22	6, 500	36. 11
Total Government built permanent units..	15, 000	4, 500	30. 00	2, 000	13¼
Total Government units.....	33, 000	8, 500	25. 75	8, 500	25. 75

EXHIBIT No. 544

STATEMENT BY WILLIAM NICHOLAS, REPRESENTING GEO. F. ADDES, COORDINATOR OF THE WAR POLICY COMMITTEE, INTERNATIONAL UNION, UAW, CIO, BEFORE THE TRUMAN COMMITTEE

THE HOUSING NEED

Because of the confusion and needless delays that have harried the housing project for the Willow Run Bomber Plant employees from its very inception, we wish to go on record affirming again the absolute necessity for the construction of adequate housing for these war workers so that we may be able to avoid the pending crisis in production at the Bomber Plant which will inevitably occur if nothing is done to provide adequate housing for the thousands of workers employed at this Plant.

Soon after construction got under way at the Willow Run Plant, the Union pointed out the imperative need of providing housing in proximity to this Plant. At that time transportation was not considered a serious difficulty insofar as there was no thought of rubber becoming such a critically short material. Since the time first demands for housing were made, the whole situation has changed so radically that it is now essential that housing be placed close to the plant and that transportation distances for the thousands of workers who will be employed at the Willow Run plant be reduced to a minimum.

#### CRITICAL MATERIALS

In view of the fact that not only rubber, but also other materials such as steel, copper, plumbing fixtures, and so forth, have become scarce, critical materials, the original housing program has been revised several times. With each revision there was the recognition by all concerned that the actual housing being programmed would not meet the full needs. At the present time this is even more apparent than ever before. It is the Union's belief that housing near the Bomber Plant is an absolute war necessity; that without it, the production scheduled, planned, and announced for Willow Run cannot possibly be reached regardless of the amount of machines and critical materials available because it will be impossible to maintain the necessary labor force in view of the insurmountable transportation difficulties.

#### THE PROGRAMMING OF HOUSING

The original housing program called for housing located in three places: at Inkster, approximately twelve miles from the Bomber Plant; at Wayne, approximately ten miles from the Bomber Plant (both serviced by a railway which could be utilized to provide at least part of the transportation) and another project located in close proximity to the Bomber Plant itself on a planned community basis. It was originally estimated that this latter project would be constructed on the basis of 65% of the housing units being single family two-bedroom homes; 25% would be duplex three-bedroom homes and 10% would be row houses with one-bedroom units. The average cost of all units would be \$4,000 each with a \$900 top land cost, including site improvement and so forth.

This was revised to provide for 6,000 units, 40% of which were to be single two-bedroom homes, 40% duplex two-bedroom and three-bedroom homes and 20% row houses with one and two-bedroom units. It was also estimated that dormitories would be provided for 10,000 people; and individual rooms and light house-keeping dormitories for 8,000 family units.

It was hoped that construction of these projects would alleviate the situation at least in part and would insure a permanent and steady working force available to produce the 405 bombers per month which has been scheduled for the Willow Run Plant.

When the program for housing for the Willow Run Plant was first developed, the plant itself was nowhere near getting into production and, consequently, the need for housing was not so emphatically felt. Today, however, with employment well over 20,000 at the Plant it is obvious to any casual observer of the mushroom growth of trailer camps, shack towns, tent colonies, and makeshift homes that the housing need is being brought into focus very sharply.

#### TRANSPORTATION DIFFICULTIES

With all the poor housing facilities now available, the transportation problem still looms as the biggest handicap that has to be faced. A special survey was made among a random sample of workers at the Bomber Plant, which will be introduced for the record later. The results of this survey indicate that the average worker at the Plant is traveling or commuting an average (median) of some 23 miles each way to work each day and is spending an average (median) of 50 minutes each way, going to and from work. It should be borne in mind that these results were obtained during the month of June when transportation facilities were not impeded by snow, ice, or sleet, or by lack of good rubber tires. The results of this survey also indicate that the more recently employed workers at the Plant travel correspondingly greater distances.

It is to be expected that when the Bomber Plant gets into production the thousands of additional workers who will be coming into the Plant will find absolutely no housing facilities available and will be required to drive even greater

distances than the average being traveled today, unless some adequate housing is provided in close proximity to the Plant.

#### EMPLOYMENT

There has been much speculation as to the peak employment at the Bomber Plant. Until recently, Ford officials have announced that some 110,000 workers would be required to reach full production. At the time of the controversy in regard to the establishment of a housing project in proximity to the Plant, Ford Motor Company spokesmen announced a reduction of that figure to 58,000—or almost a 100% error in their previous estimates. While it is very difficult for members of the Union to determine what the actual production peak will be, competent observers at the Plant anticipate a minimum of some 75,000. Less than this number might well mean a curtailment in production of bombers.

Further, the plant chairman of the Local Union has been advised that 110,000 lockers were originally ordered but were not available because of priorities; and that 56,000 lockers will be installed on the basis of serving two men each. A signed statement to this effect is available for the record.

It is estimated that some 140,000 man-hours are required to produce a bomber at the Consolidated plant in California. Making allowances for a 20% reduction in manpower, due to the introduction of mass-production methods, and estimating that roughly 50% of the complete bomber job will be handled at the Willow Run Plant, the employment necessary to produce 405 bombers per month will approximate 75,000 men.

Regardless of the controversy concerning the anticipated employment at the Bomber Plant, the original housing programmed to serve this Plant was at no time adequate to meet the entire housing needs. The revised program falls even shorter in this respect. Inasmuch as virtually no housing has been built to service the Willow Run Plant, either through public or private construction—that is to say housing located near the Bomber plant, we are asking that a minimum program be started at once.

#### HOUSING SITUATION IN DETROIT AREA

We might also add that the need for housing at Willow Run cannot be dissociated from the need for housing throughout the whole Detroit area. While it is not our intention to go into the details of the housing situation in the Detroit area, it is hardly necessary to point out that a relief of the housing situation at the Willow Run Plant will, in part, make available additional housing so badly needed for the other war plants located nearer the City. The latest survey made by the W. P. A. indicates that there are less than  $\frac{3}{10}$  of 1% available rental vacancies. The Homes Registration Office reports a thousand-odd requests for family housing with no available units. Any casual observer coming into the Detroit area is immediately aware of the seriousness of the situation and the shortage of existing housing facilities.

#### A MINIMUM PROGRAM TO BE STARTED AT ONCE

In view of the fact that the present controversy over the Willow Run housing project has caused a virtual stoppage of all public housing construction in the area, we feel it is absolutely essential that some work be initiated immediately. It is our hope that since the provision of additional housing is indispensable to the war effort that at least a beginning of the program will be pushed forward as rapidly as possible, and that a minimum beginning program of 2,000 units will move toward completion in the Wayne and Inkster areas; that a 48" water main will be laid out to Wayne with a 30" line from Wayne to Willow Run; and that 2,500 permanent units will be started at the Willow Run project and 1,000 temporary apartments be constructed at Wayne. In addition to these, we hope that 3,000 dormitory units will be built in a "green belt" strip in close proximity to the Plant and that present construction work will be continued for the eventual expansion of the proposed project. It is our recommendation that this program will follow that proposed for the first revision of the project, which was to plan and build the houses with the greatest possible conservation of critical materials as could be arranged. The technical details of this have been worked out by the architects connected with the F. P. H. A.

We feel this minimum beginning is necessary because some housing must be provided for immediately. We know that it will not be anywhere near adequate

to meet the need but, in view of the controversy, ask that this minimum program be begun at once and that the further program follow shortly afterward. This request is made because we are already recognizing certain severe symptoms of production bottlenecks which are growing daily.

#### "THE QUIT RATE"

The Union records show that the quit rate at the Bomber Plant is increasing week by week. The national average quit rate for aircraft is higher than for all other industries, standing at 3.8 per hundred employees; and the quit rate, as best as can be estimated, at the Bomber Plant is 4.3 per hundred employees (the quit rate excludes those discharged or called for military service). The fact that the quit rate at the Bomber Plant is higher than the national average for aircraft becomes even more significant when it is remembered that this plant is expanding rapidly and has not nearly reached its peak employment. During a period of expansion the quit rate should normally be considered lower than in an established plant. The fact that this quit rate is so high can be directly attributed to the difficulties in securing housing and the inadequate transportation facilities.

Along with the institution of this minimum program to get work at least under construction, we feel it is absolutely necessary that some government agency step in and supervise the existing accommodations in the outlying areas around the Bomber Plant to regulate trailer camps and other makeshift dwellings, to install sanitary facilities and to generally protect the welfare of these people forced to live in temporary shelters so that problems of disease and contagion will be eliminated.

#### HOUSING NEEDED AS A WAR TOOL

Practically every top official in the war agencies and War Department of the government have reiterated that housing for war workers is a war tool and is absolutely essential to continuous and efficient production. It is on this basis that the Union is asking that housing be constructed for the workers of this vital Bomber Plant.

#### EXHIBIT No. 545

DETROIT BOARD OF COMMERCE,  
Detroit, Michigan, July 22, 1942.

HONORABLE HARRY S. TRUMAN,  
Chairman, The Special Committee Investigating  
the National Defense Program, Washington, D. C.:

When we suggested, on June 19th, that your Committee investigate the Willow Run Housing Program the projected plan called for the construction of 10,000 Dormitory Units, 8,000 Dormitory Apartments, and 15,000 Dwelling Units to house a total of 40,000 war workers.

We opposed this program because we believed:

The program was too large for the possible number of in-migrant workers that would obtain jobs at the Bomber Plant.

The sites selected were too far removed from essential public utilities.

The construction of essential utilities at the sites selected would cause an extravagant waste of critical material needed for War Production.

There were thousands of lots in the Detroit area with water, sewer, and other utilities installed or available with small extensions of existing facilities that should be utilized in the housing program—not wasted.

That the Bomber Plant would employ less than one-quarter of the workers to be added to War Production in the Detroit area during the next year, yet every housing unit projected by the Federal Public Housing Authority was for workers at the Bomber Plant and not a single dwelling unit had been planned for all the other War Workers in the Detroit area.

That the 136,000 workers to be added to War Production Employment between May and November 1942, would be at work and housed somewhere in the Detroit area long before the Housing Authority would have completed much, if any, of the projected housing.



That public housing during the war should be restricted to temporary dormitory and apartment shelter for the duration of the Emergency.

The critical materials required for the permanent housing planned by the Housing Authority should be allocated to the private building industry for use in constructing homes on lots where all public utilities are installed and waiting.

We are now advised by the Federal Public Housing Authority that the proposed housing program has been reduced as follows:

The 10,000 dormitory units reduced to 3,000 units.

The 8,000 dormitory apartments reduced to 1,000 units.

The 15,000 dwelling units reduced to 4,500 units.

And that the private building industry will be given an opportunity to build 4,500 dwelling units in the Wayne, Inkster, Ypsilanti, and Ann Arbor area.

We are also advised that some private and public housing program is being developed for the rest of the Detroit Area.

We have carefully reviewed the revised program and are unable to accept it as being in the best interest of the War Program or Detroit's War Production Effort.

The shortage of steel and other vital War Materials is more critical today than a month ago. Some industries producing vital war materials are facing reduced production schedules because of material shortages. To neglect to use existing public utilities for any Detroit Area Housing Program in lieu of wasting critical materials in the construction of new utilities is unthinkable.

Detroit has a housing shortage that grows worse each day. We need a Detroit Area Housing Program—not just a Willow Run Project.

That program should embrace temporary dormitories and apartments in whatever number will be required adjacent to defense plant areas.

All dwelling units for which critical materials are or can be available should be built by private building industry on lots where all improvements are installed—either for sale or for rent to War Workers. Existing facilities should be utilized—not wasted. Every home sold to a War Worker gives him a stake in the America we are fighting to preserve. Each such home saves the Federal Government \$5,000 that can be spent on direct War cost. Private industry under reasonable regulation can do this part of the job better than Governmental Agencies.

We hope that out of the investigation of your Committee and the studies of the War Production Board Committee and the National Housing Agency will come action on a sound housing program that will benefit all Detroit's War Production effort.

Respectfully submitted,

DETROIT BOARD OF COMMERCE,  
WILLIS H. HALL,  
*Manager, Housing Bureau.*

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#### EXHIBIT No. 546

DETROIT, MICH., July 21, 1942.

HON. SENATOR TRUMAN,  
*Chairman, United States Senate Investigation Committee,*

*Washington, D. C.*

The following resolution was unanimously adopted by the common council, city of Dearborn, as of this date, July 21, 1942:

"Whereas it has come to the attention of this body that the Federal Public Housing Authority is contemplating a construction of a so-called Bomber City, bounded by Michigan Avenue on the south, Cherryhill Road on the north, the Washtenaw-Wayne County line on the east, and Prospect Road on the west, and that the said Authority has claimed that such a project is necessary to house the workers of the Willow Run plant; and

"Whereas this body has also been informed that this proposed project is to be investigated by the Truman committee of the United States Senate; now be it

"Resolved, That this body go on record that it is the consensus of its opinion that this proposed project is both an unnecessary expenditure of public funds and a wasteful squandering of essential war materials truly needed elsewhere, be it further

*"Resolved, That this body earnestly requests the Truman committee to fully investigate this proposed project from the standpoint of economic necessity and without regards to any political significance the creation of such a city may involve; be it further*

*"Resolved, That the Truman committee interview or take testimony from qualified persons of this and other surrounding communities, which testimony this body is convinced will show beyond question the problem of housing workers at Willow Run can much more quickly, more economically, more safely, and more healthfully be achieved than by the construction of the proposed group of temporary dwellings in an entirely undeveloped locality far removed from the necessary utility and sanitary accommodations."*

MYRON A. STEVENS,  
*City Clerk, City of Dearborn.*

EXHIBIT No. 547

JULY 9, 1942.

MEMORANDUM ON THE WILLOW RUN PROBLEM BY FRANK W. HERRING, ASSISTANT  
DIRECTOR

The conversion of the automobile industry to war production and the erection of gigantic new armament plants in the Detroit area makes southeastern Michigan the most important production area in the entire arsenal of democracy. Anticipated employment figures indicate that there will be a large labor deficit that will have to be met by worker in-migration. It is not unlikely that there will be an increase in population of such magnitude as to present the danger of severe community congestion. With such congestion might come clogged transportation lines, insanitary conditions, rapid labor turn-over, lowered worker morale, and low productive efficiency. Clearly such conditions must be prevented lest the operations of the war plants themselves be interfered with.

Because of its location, the Ford Bomber Plant at Willow Run creates a special problem. It must be considered, first, as a problem in itself, but as it is, after all, part of the larger regional problem it must also be considered in its relation to the entire production of the Detroit area.

Many studies of the situation have been made by the Federal agencies responsible for different aspects of the problem, including the Federal Works Agency, National Housing Agency, Office of Defense Health and Welfare Services, Labor Supply Division of the War Production Board, the War Production Board's Regional Office at Detroit and the National Resources Planning Board. In addition, those agencies have had the cooperation and assistance of State and local agencies, official and unofficial, like the Michigan State Highway Department, the Detroit Regional Defense Council, Michigan State Department of Health, the Mayor's Committee on Housing and the Public Works Round Table Group, made up of the public works officials of the area. From these studies, there have been prepared plans for housing and community facilities which, in the judgment of the National Housing Agency and the Federal Works Agency, are best suited to avoid impeding the war program.

This memorandum is for the purpose of presenting the major outlines of the problem and, in summary form, the program proposed to take care of the situation.

LABOR REQUIREMENTS

Basic to the problem, of course, is the amount of war production scheduled for the area and the resultant labor requirements. The magnitude of the housing, transportation and community facilities tasks is determined primarily by the amount of employment to be anticipated.

On February 26, 1942, the U. S. Employment Service presented a memorandum on employment trends in the Wayne County area which indicated that total manufacturing employment would reach 742,000 when the war peak arrived. This figure was subdivided by areas within the Detroit region and the subarea including the Willow Run Bomber Plant had a war peak employment of 98,000 forecast. In transmitting his report on labor estimates, General Frank J. McSherry, Deputy Director for Labor Supply and Training for the War Production Board, states "To the extent that we can induce employers to place women in

jobs formerly filled by men, and to the extent that we can induce women not ordinarily seeking work to accept jobs, we can reduce the amount of migration required, but it appears extremely unlikely that it can be reduced below 140,000 workers and it might well be more than 200,000." The U. S. Employment Service, on the basis of this estimate of total employment needs, made a forecast of worker in-migration of approximately 190,000. These estimates were presented to the agencies concerned and formed the first basis of planning for the solution of the problem.

On April 16, 1942, a new estimate of labor requirements was prepared in the Detroit office of the War Production Board. During the intervening months, a number of additional war contracts had been placed in the Detroit area. Nevertheless, the new estimate was that the total labor demand would be 685,000 which would involve a minimum labor shortage of 75,000. However, this estimate had attached to it several pages of discussion which were presented as "essential to an adequate evaluation of the validity of the foregoing estimates of labor shortage." In that discussion, it was pointed out that the new estimate was based upon manufacturers forecasts aggregating 750,000 worker to be needed at the war peak (a figure quite comparable to the 742,000 estimated by the U. S. Employment Service on February 26). This 750,000 had been "arbitrarily reduced by 65,000 workers to account for expected production efficiencies." Furthermore, the estimate was based upon an assumption that 80,000 women now resident in Detroit would be employed in industry. In discussing the estimate, it was stated "In order to forestall this shortage increase it is vital that all possible impetus be given to employers' acceptance of women workers." The discussion in general indicated that the 75,000 in-migration figure should be considered a minimum.

The next item in this history of labor estimates is a letter from Mr. Nelson to Mr. Kanzler under date of May 9, 1942, instructing him to establish a timetable for moving war contracts out of the Detroit region so as to avoid congestion otherwise to be feared. On May 18, 1942, Mr. Nelson wrote to Mr. Blandford, Administration of the National Housing Agency, that "an excessive amount of material and manpower will have to be diverted to housing and public utilities if total manufacturing employment in the Detroit area, including Willow Run, is permitted to exceed approximately 675,000 persons."

On May 22, 1942, Mr. Sullivan Jones, Chief of the Housing Priorities Branch of the War Production Board addressed a memorandum to Mr. James S. Knowlson, Director, Division of Industry Operations, in which he stated that he had been informed that "Due to changes in the techniques of production, the number of employees in the Willow Run Ford Bomber Plant will be reduced from the estimated 110,000 to between 60,000 and 62,000." On May 28, 1942, Mr. Ernest Kanzler advised Mr. William Divers, the Detroit Regional Representative of the National Housing Agency, that the Ford Motor Company had submitted a revised estimate on peak employment at the Willow Run Bomber Plant of 60,000.

This new Willow Run estimate did not occasion a revision of the estimate of labor requirements for the Detroit region as a whole. On June 7, 1942, the War Production Board issued a press release which stated that "when the war peak is reached, more than a year from now, 746,000 employees will be required," and remarking further, "the area may still face a shortage at war peak of about 157,000 workers." In view of the apparent discrepancy between this 746,000 and the 675,000 earlier prescribed by Mr. Nelson, inquiry was made of Mr. Nelson's office as to how the figures should be reconciled. On June 18, Mr. Nelson wrote to Mr. Delano that his figure of 675,000 was still firm and that the 746,000 should be viewed as a forecast of peak employment by Detroit industries if the present trend was allowed to continue. The letter stated, in part, "It is in order to prevent such a peak, with consequent strains on public facilities and housing, from being reached that the War Production Board is working on a program for moving contracts out of the Detroit area."

#### TRANSPORTATION PROBLEM

Detroit developed into a major metropolis during the years in which the automobile came into widespread use and reliance for transportation in the entire metropolitan area has been principally upon the individual automobile. The only mass transportation system available is represented by the streetcar lines and bus lines operated by the Detroit Street Railways, which is municipally owned and operated. The Willow Run plant is situated in close proximity



to the Michigan Central Railroad, on its main line between Detroit and Chicago, some 25 miles from downtown Detroit. There is no commuter service on that line.

A study of the transportation problem presented by the bomber plant was made early in February by Wilfred Owen of the National Resources Planning Board staff. It accepted the prevailing assumption that the total employment at the plant would be 100,000. At that time, it was also understood that the plant would operate on two 8-hour shifts per day, with each shift change staggered over a 2½-hour period. Mr. Owen's computations allowed for one day off for each worker per week, implying that 86,000 workers would be engaged at the plant on any one day, 43,000 coming on and 43,000 going off at each change of shift. On the assumption that the geographical distribution of the residences of the Willow Run workers would be similar to that of workers now employed at the Ford River Rouge Plant, calculations indicated that there would be a median traveling distance to the plant of 20 miles. Facilities had been planned at the plant to handle 140 buses, to carry 6,400 employees, although officials of the Detroit Street Railways stated that the use of buses then in city service could not be considered. Prior to the time that the Willow Run problem came up, Detroit Street Railways had put in an order for 500 new buses, merely to replace obsolete equipment. They estimated that an additional 500 buses would be required for the transportation of 35% of the Willow Run workers. Informal advice from the War Production Board, however, indicated that the allocation of that many buses to Detroit out of the total amount to be manufactured during the year was out of the question.

About the same time Mr. Owen made his study of rubber-borne transportation, Mr. Edgar M. Hoover, also of the staff of the National Resources Planning Board, prepared a memorandum analyzing the use of rail transportation between Willow Run and Detroit. Mr. Hoover stated that the principal objections to using the Michigan Central Railroad were (1) no passenger cars were available; (2) the railroad was not interested in providing the service; and (3) the Detroit station (at 14th Street and Michigan Avenue) is badly located with reference to workers' residence areas in Detroit. He stated that even if the railroad could provide service between Ypsilanti and the Detroit station, there is insufficient bus and streetcar equipment and street capacity to carry the people between the station and their homes with any reasonable speed.

The alternative plan suggested by Mr. Hoover was to utilize the Michigan Central Railroad from Willow Run to its junction with the Detroit Terminal Railroad, and the latter road as a distributing passenger line around the city. The Detroit Terminal Railroad has been exclusively a freight line and Mr. Hoover's plan would require the construction of a number of passenger-loading platforms which he recommended be located strategically with reference to the urban transit routes. Mr. Hoover stated that the principal objection to his suggestion was that it would further congest the trackage of the Detroit Terminal Railroad as well as of the Michigan Central. Mr. Wall of the Interstate Commerce Commission, Mr. Hoover reported, "is of the opinion that any attempt to run passenger trains on this route would seriously disrupt the switching of freight."

A meeting was held in Detroit on April 13, 1942, sponsored by the War Production Board and the Office of Defense Transportation to consider measures to be taken to assure continued transportation for workers in the Detroit area despite the shortage of rubber. The meeting was attended by about 75 people representing Federal, State, and local governments, bus, streetcar and railroad officials, retail stores, schools, labor, and Detroit industries. This meeting had no very constructive outcome with the exception of the appointment by Mr. Roberts of the Office of Defense Transportation of a committee to carry on attempts to reach a solution to Detroit's transportation difficulties. The committee included the City Traffic Engineer, General Manager of the Detroit Street Railways, General Manager of the Greyhound Bus Lines, and a representative of the Ford Motor Company. Railroad representatives at the meeting stated that they would not be in a position to provide any worker transportation. It was also indicated that it would be quite unwise to rely upon any new tires for private automobiles in view of the national rubber situation.

#### WATER SUPPLY PROBLEMS

Studies of the water resources of the Detroit region, some of which date back to 1895, have unanimously concluded that the only feasible source of water



supply for any large population in Wayne County must be the Detroit River. Subsurface water resources in Wayne County are almost nonexistent and even in Washtenaw County are rather meager. It was because of this general hydrologic situation that the City of Detroit, taking water supply from the Detroit River, has been the provider of water to most of the other cities and towns in the area.

Detroit's water supply system was expanded considerably between 1927 and 1930 through the construction of the Springwells filtration and pumping plant on the west side of the city. Since this plant expansion was provided, however, the demands upon the system have increased to a point where during the summer of 1940 the entire system was working close to its capacity.

The Detroit water supply system consists of three different service areas (low pressure, intermediate pressure, and high pressure), the low pressure area being fairly close to the pumping plant and the high pressure area being on the outskirts. The load does not bear uniformly upon these three services, for the high and intermediate pressure areas are now taxed to capacity, while in the low pressure area there are unused capacities capable of providing for an increase of 200,000 population. This situation is the natural result of the outward growth of the city and gradual depopulation of its core during the past generation. In this experience, of course, Detroit is not unique.

Detroit supplies water to Dearborn and other western suburbs and even supplies the Village of Wayne through an 8-inch line. Transmission capacity beyond the boundaries of Dearborn, however, are very limited and any material increase of population west of that point will require additional supply mains.

The water supply systems of Ann Arbor and Ypsilanti use wells as a source of supply. The underground resources of Washtenaw County are quite limited, and a study made by the firm of Shoecraft, Drury and McNamee in the Spring of 1942 concluded that the development of those underground sources to the limit of their capacity would produce water enough to supply an additional 15,000 population. At present the capacity of the Ypsilanti wells is 1.5 million gallons daily and the Ann Arbor system 8 million gallons daily.

During the construction of the Bomber Plant, water for construction purposes was purchased from the City of Ypsilanti through a 16-inch line. The Ford Motor Company sank three wells 80 feet deep which have yielded 4,000 gallons per minute and the Company is building a water filtration plant which is cross-connected with the Huron River.

Quite recently the Defense Plant Corporation refused to approve tapping of the Ypsilanti-Willow Run line for supplying dormitories proposed for construction close to the plant.

Early in March the facilities of the Work Projects Administration were utilized to make a survey of all the communities in Wayne County to determine their ability to absorb additional population. The data assembled dealt with capacity of their water supply and sewerage systems, their school and hospital facilities, the number of vacant lots available, the number of vacant lots served with water lines and sewer lines, and much other information of that character. That survey disclosed a number of vacant lots in the region which were already provided with water and sewer lines. Close study of the data, however, discloses that many of the areas so provided with service lines are inadequately served with basic water supply or sewage disposal facilities and, moreover, the greatest number of them are at considerable distances from the Bomber Plant.

#### HOUSING NEEDS AND LOCATION

The total need for new housing in the Detroit area is, of course, a function of the total in-migration to be expected and the extent to which existing shelter can carry a greater load. For the Willow Run plant itself, however, the housing problem is also a function of transportation. If workers at the Willow Run plant are to be housed in those parts of the Detroit area already adequately served with utilities, the problem of transporting the workers assumes its greatest magnitude. Conversely, if, in order to minimize the transportation load, the workers are to be housed in close proximity to the plant, the task of supplying water, disposing of sewage, furnishing power, gas, and other necessary utilities will be minimized. In other words, the choice of location of the housing for Willow Run workers is a choice between a transportation problem and a utilities problem. The transportation problem can be translated into terms of gasoline and rubber consumed annually in transporting the workers in private automobiles or busses or the tons of steel and other metals necessary to provide railroad trans-

portation facilities. Supplying the utilities, on the other hand, can be translated into terms of steel, copper, lead, cement, asphalt, lumber, and other building materials for water lines, sewer lines, power lines, gasoline lines, schools, and the like.

In an effort to arrive at the proper balance, the National Housing Agency, working in close relation with the National Resources Planning Board and the Federal Works Agency, has developed a program of housing for the Willow Run workers. That program as of June 16, 1942, consisted of—

- (1) 10,000 dormitory units to be constructed with public funds to be located in close proximity to the plant;
- (2) 8,000 light housekeeping apartments for married couples to be constructed with public funds and located close to the plant;
- (3) 7,900 family dwelling units for families with children to be built with public funds located in Washtenaw County in close proximity to the plant;
- (4) 7,100 family dwelling units to be constructed with public funds to be located in Wayne and Inkster;
- (5) 10,000 privately built dwellings in the western portion of the Detroit industrial region including Dearborn, Melvindale, Allen Park, Inkster, Garden City, Wayne, Ypsilanti, Ann Arbor, and adjoining areas.

#### UTILITY NEEDS

In order to serve the housing to be located at Wayne, it will be necessary to provide more water from the Detroit system than can be supplied through the existing 8-inch line. The Wayne County Road Commission (which has much of the character of a county public works department) has sponsored a W. P. A. project, which has been approved by the President, for a 48-inch line out Michigan Avenue from Oakwood Boulevard to Wayne Road. It is estimated that about six months will be necessary to complete the construction.

To supply the water for the population scheduled to be located in close proximity to the plant, a supply of water beyond the capacity of the local sources will be required. Consequently, an extension of the water line out Michigan Avenue from Wayne Road to the housing sites has also been proposed to the Federal Works Agency as a War Public Works Project by the Wayne County Road Commission. This project has also been approved by the President. The line was originally proposed as of 42-inch diameter but has been redesigned by the Federal Works Agency and approved as a 30- or 36-inch line, depending upon the amount of housing to be built.

In order to make possible the supply of an adequate amount of water into these lines, it may be necessary to expand the filtering and pumping capacity of the Detroit west side water plant located at Warren Avenue and the Detroit Terminal railroad.

In addition to these water supply lines, sewerage and sewage disposal facilities will be necessary, although specific proposal for sewerage projects have not yet been fully presented. In all likelihood, the housing at Wayne can be served by being drained into the Detroit and Wayne County sewerage systems. For the population to be located close to the plant, it has been proposed that a sewer be constructed to empty into the Huron River at French Landing at which point a sewage treatment plant would be necessary to avoid pollution of that body of water.

Needs for power supply for electric lines, telephone service, and other utilities for the new housing have not yet been presented.

#### SUMMARY

The question of housing location is basic to the problem of providing shelter for the workers of the Willow Run plant. This problem in turn becomes one of finding the proper balance between the critical materials necessary to transport thousands of workers long distances and the equally critical materials necessary for public utilities if the amount of worker transportation is to be minimized. The determinations of the National Housing Agency have been made in this light. The utilities proposed by the Federal Works Agency are those which will be necessary to serve the housing recommended.

## EXHIBIT No. 548

STATEMENT OF THE ANN ARBOR REAL ESTATE BOARD, YPSILANTI REAL ESTATE BOARD, AND ANN ARBOR BUILDERS ASSOCIATION RELATIVE TO THEIR POSITION ON THE ERECTION OF PERMANENT HOUSING AT CHERRY HILL, SUBMITTED TO THE TRUMAN COMMITTEE, WASHINGTON, D. C.

The combined membership of the Ann Arbor Real Estate Board, the Ann Arbor Builders Association, and the Ypsilanti Real Estate Board feel obligated to oppose the "permanent housing" policy now being projected for the Cherry Hill area of the Willow Run Bomber plant.

The Committees representing these trade organizations have studied the reports submitted by the following men:

Mr. Henry E. Riggs, a nationally known civil engineer.

Mr. W. J. Guinan, Executive Secretary of the National Home Builders Association and Executive Secretary of the Builders Association of Metropolitan Detroit.

Mr. George Meader, Prosecutor of Washtenaw County.

The Committee agrees with the facts and figures presented in these reports and though we find occasion to quote from them, we wish to avoid repeating any data covered in these reports as far as possible.

We believe that as Real Estate Brokers and Home Builders, we have an honest "selfish reason" to fight for the continuance of our business. We believe that it is the duty of the Government to allow any business to maintain itself unless that business clearly conflicts with the war effort. It is our contention that, we, as Builders and Brokers could be a definite help to the war housing movement under proper Governmental leadership.

We are firmly convinced that if the housing situation had been carefully thought out and properly managed by ONE Government Agency that this confusion and delay could have been avoided. We repeat, there has been too many agencies and too much bureaucratic red tape, which, combined with the political pressure of labor groups has led to the present confusion.

We believe, it is also the duty of the Truman Committee to consider the position of property holders in and near the established cities of Ann Arbor and Ypsilanti. We contend that owners of improved property as well as vacant property would be greatly damaged by being forced to compete with a "war city" entirely financed and maintained by Government funds. Owners of vacant property would be especially hard hit.

By assigning critical materials to public housing bureaus instead of private builders, the Government automatically kills the demand for all vacant property in and near these cities. Many of these lots are improved, others are partially improved. Most of this land lies in the path of the normal development of these cities.

Feeling that these would be logical areas for expansion, the City of Ypsilanti requested Government aid for the expansion of sewer and water facilities. This request was made in May to the F. W. A. We believe your Committee should find out why nothing has been done about it. It is the contention of our Committee that this is the logical area for expansion.

It was brought out in Mr. Guinan's report that several months ago, Federal Housing Officials urged private builders to redouble their efforts in the Detroit area. Federal Housing Officials also requested similar effort from the builders and brokers in the Ann Arbor and Ypsilanti areas. We assumed these Officials were ready, willing and able to cooperate with us on an extensive building program. We still believe they are ready. But no Builder, Broker, or Federal Housing Official present at this meeting believed we would have to combat the bureaucratic bungling and the competition of politically powerful labor groups that has so far stalled the program of the private builder. As a result little building has been completed and two business groups have been virtually forced out of business.

In delving into the matter of critical materials, we believe, Mr. Riggs' report will show that the volume of these materials will not only be larger but that the ultimate cost to the taxpayer will be greater. Mr. Riggs in his report stresses the point of using the established areas now improved or that can be improved by the expansion of normal city facilities.



As to the critical materials that are actually needed for house construction, we have seen no proof by the Government that their plan will save either materials or man hours of labor.

There are also many problems concerning taxation and County Government that have apparently received no consideration by the housing agencies. Mr. Meader's report covers these problems and presents many questions that should be answered to the reasonable satisfaction of the citizens of this County. We believe we have the right to know something about the Government's future use and administration of such a "city" before it is erected.

Let us also consider the economic aspect of this group of 6,000 houses after the war. It is admitted by the F. P. H. A. that practically all of the tenants will be skilled workers with membership in one of the large labor groups.

Let us assume for example that one-third or 2,000 of these houses are vacated due to lack of industrial employment. This amount of vacancy will completely destroy the real estate market in this area for years to come. It would also have a tremendous effect upon the holders of rental property in this area.

While it is true that the Government, according to F. P. H. A. Officials, will make a token payment in lieu of taxes, we must not forget that the same people paying local, state, and federal taxes in this area are being doubly taxed if asked to support a Government enterprise that automatically impairs the value of their holdings.

We wish to go on record as definitely stating that we are not opposed to a reasonable number of "temporary dormitories" or "temporary light housekeeping" units. We do want to state the need for a large amount of permanent housing. We believe this job should be done by local Broker and Builder. We believe we are entitled to exist under a system of free enterprise as long as and until the Federal Government can honestly prove that their plan will serve the war effort better. We repeat again that no time, no materials, no money, or no man-hours of labor will be saved under the proposed Government plan. Frankly, we believe it is folly to save the world at the cost of America's own free institutions. Such tactics as our group has been subjected make "hollow mockery" of "Victory" for American ideals.

In closing, we want to emphasize the fact that we are ready and willing at all times to cooperate with the Government on any reasonable program. We believe we have the right to live and continue in business, and all we ask is honest and fair cooperation.

Respectfully submitted.

THE ANN ARBOR REAL ESTATE BOARD,  
V. O. NELSON, *Pres.*  
EVE M. BALL, *Secty.*  
THE YPSILANTI REAL ESTATE BOARD,  
FRED M. GREENSTREET, *Pres.*  
EARL L. FREEMAN, *Secty.*  
THE ANN ARBOR BUILDERS ASSOCIATION,  
LEO P. MEYERS, *Pres.*  
JOHN R. McMULLER, *Secty.*

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EXHIBIT No. 549

GREAT LAKES GREYHOUND LINES, INC.,  
*Detroit, Mich., June 24, 1942.*

MR. HUGH A. FULTON,  
*Chief Counsel, Washington, D. C.*

DEAR MR. FULTON: In reference to your telegram of June 24, 1942, relative to special Senate Committee investigating National Defense Program, and the hearing which they will hold concerning the necessity of providing housing for Willow Run Plant, said hearing to be held on July 1, 1942, please be advised as follows:

Several months ago the Office of Defense Transportation at Washington, D. C., through their representative, Mr. Roberts, appointed the Office of Defense Transportation committee for this area, with particular and specific reference to the Willow Run transportation problem. This committee has had several meetings



and as a result of its investigation of same, have laid out a bus transportation system to properly serve the Willow Run Bomber Plant.

I am attaching herewith public folders on this service, supplied by the privately owned bus companies operating in this area, which service does not include the service between the Cities of Detroit, Highland Park, and Hamtramck to and from the Willow Run Bomber Plant, which service is operated by the Department of Street Railways, City of Detroit, Michigan.

The service described in the attached folder was inaugurated on Saturday, June 6, 1942, and has operated every day since. We propose to continue to operate this service to meet the real demand for same. The history of the service since its inauguration to date has been that it has carried very few passengers. There are many elements responsible for this situation, however, we feel, as transportation operators in the area, that we have a very definite responsibility to fulfill in connection with the war effort, and we are now obtaining additional reserve equipment to fulfill this responsibility. There will unquestionably be changes in schedule in the future to conform to real public demand for this service and to meet changes in shift periods, etc., as the employment at the Willow Run Plant is increased. We will meet these problems as they arise and make such adjustments, including inauguration of new routes, where necessary, to the limit of our ability.

It is impossible to make absolute, definite commitments at this time, due to the unknown factors, of which new housing in the area and the location of same, is one very definite factor. On the basis of our positive information to date and the results of our investigations and experience, we know that there is no transportation problem in regard to the Willow Run Bomber Plant at this time. As to the future, we feel that with the known transportation capacity in the area, and through real cooperation of all concerned, that there will be no transportation problem that we cannot satisfactorily meet.

Mr. Thomas H. Nicholl, of the Office of Defense Transportation, has been in constant attendance at the committee meetings on the above subject.

Trusting this is the information you require, I remain

Very truly yours,

P. L. RADCLIFFE,  
General Traffic Manager.

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EXHIBIT No. 550

STATEMENT BY GLENN R. BRAYTON, CHAIRMAN OF HOUSING AND TRANSPORTATION  
COMMITTEE OF LOCAL UNION 50, UAW-CIO

The following statement is a result of a study conducted by Local Union 50, UAW-CIO among over a thousand workers at the Willow Run Plant. The study was made in the hope of getting some factual information concerning the difficulties of the majority of the workers in getting to and from work at the Bomber Plant.

The problem of transportation out to the Ford Bomber Plant is perhaps one of the most serious problems in terms of production that we will have to face. With employment only a little more than one-third of what it will be at the peak, transportation difficulties are already threatening to become a major bottleneck in the plant operation. What will happen during the winter months when bad weather creates additional difficulties and slows up traffic in general by obstructing the highways, while the shortage of tires aggravates the situation, is beyond comprehension. It is obvious though that much productive manpower and productive time will be lost, and is being lost at the present.

For example, a recent survey referred to above shows that almost 70% of the workers travel over 30 miles a day going to and from work; 43% spend over an hour going one way from their homes to the Plant, and 46% spend over an hour getting from the Bomber Plant to their homes. A table showing the results of this survey is available for the record.

A bus line was recently established to lead from Detroit to the Willow Run Plant. Because this bus must return to Detroit deadhead, a higher rate of fare was charged. Round-trip fare for this bus is 90¢ per day. Actual riding time

on the bus from Detroit to the Plant is 65 minutes. This does not take into consideration the time spent in getting from the worker's home to the station where the bus picks up, nor the time taken getting from the bus to the Plant itself. In addition to this bus line running from Detroit, workers are also commuting from Pontiac and as far away as Toledo. The time required from Pontiac to the Plant is 1 hour and 40 minutes app. time. The round-trip fare for this trip is \$1.70.

I have also had occasion to make an independent field study of the living conditions among those people who have settled in the area around the Bomber Plant. I have seen trailer camps, parked so closely together they were almost touching, and with water facilities more than a hundred yards away. I have seen people living without any water supply or sewage—living in tar paper shacks, and old tool sheds. Children are sleeping in the backs of cars while the rest of the family makes out as best they can in small trailers.

While working in the plant I have had hundreds of people come to me requesting quit slips because they could not stand their living conditions nor the difficulties involved in getting to work every day. The Union has consistently asked people to stay on the job because they felt the need for workers at the Bomber Plant is acute. It would be impossible, however, to consider holding these people to their jobs during the winter months when the lack of adequate housing makes it necessary for them to leave if they are to protect their health and welfare.

The housing problem has become the major problem facing our Local Union. We look upon housing as a tool of production. We feel that housing must be put at the closest possible point to the Bomber Plant to insure that workers will be able to get to work and will be able to do a day's work after they get there. From our Local Union standpoint, the present site selected for the Bomber City is the most logical one. It is the only place with any proximity to the Bomber Plant that can be utilized for a large scale housing project. The site selected is within walking distance from the town center to the Bomber Plant (2.5 miles).

Our entire union membership has been waiting patiently for some housing to actually be constructed near the site of the Plant. For many months now they have heard of the various programs which were being planned out in this area. These workers are asking for housing located close to the Plant for only one reason—they feel it is necessary to have suitable living quarters which will guarantee that they can get to work to do the job they feel is necessary in turning out these bombers so vital to our war effort.

We, in the Local Union, are already faced with a terrific housing and transportation problem. Further, we know that the Plant has not yet gotten into production; and we know that when the Plant gets into production it will be impossible to meet housing and transportation problems with existing facilities. Additional housing must be built and must be built before the winter months set in if we are to go ahead as planned with the mass production of bombers at the Plant.

Recently I made a check of the tires on the automobiles in the parking lot. This examination brought out very sharply how close we, at the Plant are to a complete break-down in transportation facilities. We have instituted swapping rides campaigns and have worked to get other transportation facilities in use. Examination of the cars in the parking lot indicated that it won't be many months before a large part of the cars now being used to transport workers to their jobs will be lacking rubber tires.

Our Local Union is urging that at least a minimum program be instituted at once; that preconstruction work continue on the rest of the project while the controversy is being resolved. We ask that every effort be made to speed up this housing project and to get some houses built out in this area, regardless of any other consideration. We recognize fully that critical materials are scarce but we also recognize that there is little point in supplying critical materials to a plant located some 30 miles from any existing labor supply if you cannot get that labor supply to the plant.

*Ford Bomber Plant transportation survey*
**I. AVERAGE MILEAGE BETWEEN HOME AND PLANT**

Mileage:	Percent of Workers	One Way:	Percent
0-5.....	9.0	Under 20 Miles.....	43.9
6-10.....	7.3	Over 20 Miles.....	54.6
11-15.....	13.4	No Report.....	1.5
16-20.....	14.2	Both Ways:	
21-25.....	18.8	Under 30 Miles.....	29.7
26-30.....	16.9	30-60 Miles.....	49.9
31-35.....	8.8	Over 60 Miles.....	18.9
36-40.....	5.2	No Report.....	1.5
41-45.....	2.0		
46-50.....	1.0		
51 and over.....	1.9		
No Report.....	1.5		
	100.0		

**II. AVERAGE TIME SPENT GOING FROM HOME TO PLANT**

Minutes:	Percent of Workers	Recapitulation:	Percent
0-14.....	1.3	Less than 30 minutes.....	13.2
15-29.....	11.9	30 minutes to 1 hour.....	43.4
30-44.....	21.7	1 hour to 1½ hours.....	31.1
45-59.....	21.7	1½ to 2 hours.....	9.4
60-74.....	18.8	Over 2 hours.....	2.3
75-89.....	12.3	No Report.....	0.6
90-104.....	8.1	Combined total spending over	
105-119.....	1.3	1 hour.....	42.8
120 and over.....	2.3		
No Report.....	0.6		
	100.0		

**III. AVERAGE TIME SPENT GOING FROM PLANT TO HOME**

Minutes:	Percent of Workers	Recapitulation:	Percent
0-14.....	1.3	Less than 30 minutes.....	12.2
15-29.....	10.9	30 minutes to 1 hour.....	40.9
30-44.....	19.4	1 hour to 1½ hours.....	31.5
45-59.....	21.5	1½ to 2 hours.....	12.9
60-74.....	21.5	Over 2 hours.....	2.1
75-89.....	10.0	No Report.....	0.4
90-104.....	10.6	Combined total spending over	
105-119.....	2.3	1 hour.....	46.5
120 and over.....	2.1		
No Report.....	0.4		
	100.0		

**IV. AVERAGE DRIVING TIME (AUTO) SPENT GOING BOTH WAYS**

Minutes:	Percent of Workers	Recapitulation:	Percent
1-30.....	4.2	Less than 1 hour.....	19.0
31-60.....	14.8	1 to 2 hours.....	47.4
61-90.....	26.9	2 to 3 hours.....	27.3
91-120.....	20.5	3 to 4 hours.....	4.8
121-150.....	17.1	Over 4 hours.....	0.9
151-180.....	10.2	No report.....	0.6
181-210.....	3.8	Combined total spending over	
211-240.....	1.0	2 hours.....	33.6
241 and over.....	0.9		
No Report.....	0.6		
	100.0		

## EXHIBIT No. 551

FORD MOTOR COMPANY,  
Alexandria, Va., July 22, 1942.

Hon. HARRY S. TRUMAN,  
*Chairman, the Special Committee Investigating the  
National Defense Program, Washington, D. C.:*

The Ford Motor Company objects to the permanent housing project contemplated by the Federal Public Housing Authority on farm property adjacent to the Ford Willow Run Bomber Plant primarily because of the wasteful use of critical war materials on a project that is unnecessary.

Neither the Ford Motor Company nor any of its officials object to the erection of necessary temporary housing facilities for its employees for the duration of this war. The proposed project, however, goes beyond any needs or requirements for housing at the Bomber Plant and beyond any contemplated authority granted by Act of October 14, 1940 (Public, No. 849, 76th Congress), pursuant to which this project is attempted.

The Act is intended to supplement present housing facilities to provide homes by the Government where either private industry has failed or is powerless to provide. It most certainly was never intended to be used as a vehicle for social experimentation.

The attempt on the part of the Federal Public Housing Authority to build a new city, with a population of between 20,000 and 30,000 people, to accommodate workers at a plant devoted completely to war work and which may be completely shut down at the end of the war, constitutes not only a wasteful and extravagant use of critical materials but also an unnecessary expenditure of public funds.

It is an elementary fact that more materials, and more money, are required to build a new city on an open field and on useful farm land, without any facilities or utilities than to supplement existing facilities and utilities in existing municipalities. Temporary housing and even permanent housing, sufficient to accommodate all housing demands from employees at the Bomber Plant, can be provided by using available property in communities surrounding and close to the Bomber Plant, such as Ypsilanti, Wayne, Inkster, Garden City, Dearborn, Belleville, Romulus, Ann Arbor, Plymouth, Melvindale, Allen Park Lincoln Park, and others, all of which have public utilities and facilities, which with minor additions and readjustments could be made to accommodate the additional housing.

In February of 1942, the Plymouth Mail summed the situation up in this reasonable manner:

"Within a radius of 15 to 18 miles of the new Bomber Plant are eight cities and villages. These communities have churches, schools, recreational opportunities, all necessary public utilities, water and sewage systems, paved streets, and thousands of vacant building lots. These building lots in Portsmouth, Wayne, Dearborn, Belleville, Romulus, Ypsilanti, and Ann Arbor are immediately available for home construction. They are sufficient in number to care for more homes than are necessary for Bomber Plant employees. If water, sewage, gas, and electrical extensions are necessary, these improvements can be made very more readily and at much less cost than new improvements can be planned and constructed."

The Detroit Free Press on February 23, 1942, speaking editorially in opposition to the Willow Run Housing Project, among other things stated:

"Opposition to a new city, which is shaping up at Ypsilanti, Wayne, and other interested centers, cannot be brushed aside as a selfish expression of perverted community pride. The points advanced make too much sense.

"Time is a factor. No special knowledge of building construction is required to comprehend that constructing all the infinitude of public necessities required to service a new community would take far longer than to expand existing services in cities and towns within easy reach of Willow Run.

"The 'boom town' aspect is a factor. It would be impossible to erect a new city without inviting, during the interim before its completion, frontier conditions of lawlessness, filth, squalor, immorality, and attendant epidemics of disease."

The only excuse with any substance of merit so far advanced for the erection of this city has been the shortage of rubber.

Tire manufacturers yesterday assured the country that the tire problem was a myth.



A report dated July 17, 1942, made by a committee appointed by the Division of Local Transport of the Office of Defense Transportation of Washington, D. C., clearly indicates that this transportation problem exists only in the minds of the proponents of this social experiment. The report reads as follows:

"On April 13, 1942, Mr. Edward A. Roberts, representing the Division of Local Transport of the Office of Defense Transportation, Washington, D. C., appointed a committee on the Willow Run Transportation situation, composed of the following membership:

Mr. Fred Nolan, Department of Street Railways, City of Detroit, Mr. P. L. Radcliffe, Greyhound Lines, Mr. H. Mack, Ford Motor Company, Mr. D. Slutz, Traffic Safety Association, Mr. D. Grant Mickle, Traffic Engineer, City of Detroit.

"Mr. Thomas H. Nicholl, of the Office of Defense Transportation, was designated as contact man to work with the Committee. After several meetings starting May 1, 1942, during which all angles of the situation were studied, the following conclusions were reached:

"1. The Department of Street Railways, City of Detroit, would handle the transportation of the Willow Run Employees residing in the Cities of Detroit, Highland Park, and Hamtramck.

"2. The privately owned bus companies, namely, Greyhound Lines, Dearborn Coach Company, and Short Way Lines would handle the transportation of the Willow Run Employees residing in the twenty-five to forty-mile area around the Willow Run Plant, exclusive of those set forth in (1) above.

"3. The Railroads in the area stated that their trackage was too busy to handle any of this traffic. However, it was felt that their services would not be needed at this time, but that if the emergency became too acute in the future they would have to take care of a part of the situation.

"4. Willow Run Employment Records revealed the fact that the employees resided in 112 communities in the southern part of the State of Michigan. Forty (40%) percent of their employees resided in the area set forth in (2) above. A few of these 60% resided in communities outside of the forty-mile area and it was felt that the distances involved were too far to commute daily and that they would eventually move closer to the Plant.

"5. Confidential employment forecasts were furnished by the Ford Motor Company and they supply the committee members with a report every ten days so that forecast and trends can be closely checked. These ten-day reports show number of employees residing in each community and in the case of the Cities of Detroit, Highland Park, Hamtramck, Dearborn, Melvindale, Allen Park, and a few adjoining townships, this area is divided into 201 zones; each zone approximately one-half mile square and the employment is reported by shifts for each of these zones.

"6. Greyhound Lines started two routes to the Willow Run Plant on April 13, 1942, the Department of Street Railways inaugurated their first route from the City of Detroit on May 7, 1942. The Greyhound Lines, Dearborn Coach Company, and Short Way Lines inaugurated the balance of the routes set forth in attached folder on June 6, 1942. The Department of Street Railways contemplate inaugurating additional routes from various points in the area they are to take care of as soon as employment in the various zones increased to the point where service is required.

"7. Daily records are kept by all bus lines on the number of passengers transported by route and by trip and by comparing these records with the employment records we develop a factor known as 'riding habit,' which in reality is the percentage of employees using the bus service. The trend of this 'riding habit' is being closely watched. At the present time the 'riding habit' is very low but it is contemplated that this factor will increase materially as the curtailment of private car-riding increases due to the tire shortage.

"8. The Michigan State Highway Department is now completing the building of a new Industrial Limited Access Highway between the City of Detroit and the Willow Run Plant, with only five access points. This high-speed highway, together with the bus loading and unloading area now being constructed at the Willow Run Plant and the three-plane highway grade separation now being constructed in front of the Plant will permit maximum efficiency in the operation of buses between the labor reservoir in Detroit and the suburban area around Detroit and the Willow Run Plant and thereby reduce the travel time of the workers to a point only slightly in excess of that now required by many thousands of workers living in Detroit and working in Detroit. These facilities, coupled with the division of this traffic as set forth in (1) and (2) above will produce this travel time element result.

"9. On the subject of bus equipment to handle this traffic, we believe a sufficient quantity will be available to handle an unprecedented abnormal expansion of this traffic as the emergency becomes more acute. Many pieces of equipment are being released through the regulations of the Office of Defense Transportation in the curtailment of special services which have been rendered by the various operators in the past; these services being unnecessary during the present emergency. Some of the operators are providing a bank of large equipment for emergency use. Pooling of equipment and variations in the division of this traffic, resulting in complete efficient use of the equipment will be accomplished when indicated and will provide more capacity. Much more can be done in the matter of staggering of hours between the various plants than has been accomplished to date. To show the situation graphically, we are attaching hereto two graphs. Graph No. 1 shows the number of seats operated during the various hours of the day by the Department of Street Railways. Graph No. 2 shows the suburban equipment only of Greyhound Lines as of the Middle of June 1942. You will note the transportation capacity available in off-peak hours. Should the emergency become acute enough the plant hours can be staggered to use up this present unused capacity in these off-peak hours. As the emergency becomes more acute we have every confidence that all concerned; namely, Public, Labor, and Management will become more receptive to changes in normal routine as presently constituted. There is also a possibility that if the situation becomes acute enough to require capacity in excess of that available by buses and private automobiles that the Railroads may have to make further adjustments to take care of that traffic that they can efficiently handle.

"10. On the matter of rates of fare, these are established as a result of density of traffic and costs of operation. Present rates of fare are not out of line considering present low traffic density, and are low compared with the cost of driving a private automobile to and from work. As the density of traffic increases it will be possible to inaugurate reduced commuter rates, providing the costs of operation such as labor, parts, tires, gasoline, and oil do not increase above the income revenue. At the present time the costs of operation exceed the revenue derived, but the operators feel that this situation is a temporary condition and a definite contribution by them to the war effort. Experience in the past teaches, however, that this type of service is in a low bracket as far as compensatory features are concerned. However, by complete cooperation of all concerned, commuter reductions may be possible.

"11. The matter of housing facilities is a definite factor in the setting up of a transportation network. As transportation men we must know the origin and destination of those requiring transportation to intelligently set up a transportation program. In this case we have set up a transportation system based on the facts at hand. Bus transportation is the most flexible means of mass transportation. The retention of present routes or the expansion or contraction of these routes will naturally depend on the use that is made of the present service or the changes in basic factors that take place in the future that will require such expansion or contraction. History reveals that home establishment has followed transportation and other common utilities such as water, sewage, electricity, etc. During the past twenty-five years the development of transportation has been by highways and highway transport. We feel that this line of public thinking will continue and have, therefore, set up the transportation system based on the residence of the workers and using the good highways, present and proposed as the connecting link to the travel objectives. In this connection we feel that the advent of the Airplane as the important instrument of war that it has developed into, will again affect public thought and will result in a more or less decentralization development along the highways in smaller communities. Permanence of adjoining employment possibilities will, of course, always be a basic factor in coming to a conclusion on place of residence."

(Signed) "FRED A. NOLAN,

*"General Manager, Department of Street Railways, City of Detroit.*

(Signed) "P. L. RADCLIFFE,

*"General Traffic Manager, Greyhound Lines.*

(Signed) "GEO. L. HIND,

*"Dearborn Coach Company."*

Charles E. Sorensen, Vice President of the Ford Motor Company, has definitely assured the War Production Board that even if public transportation facilities

should fail, the Ford Motor Company is ready and willing to keep its employees on wheels by retreading tires on their private automobiles, and that only a small amount of crude rubber would be needed to retread the tires of those employees who require private transportation.

Mr. Sorensen says: "The Ford Motor Company is definitely prepared to retread tires in our Tire Manufacturing Plant at the Rouge. We would like to have the Government consider this factory as a source for retreading tires for all tires that are used by our employees in our war production units.

"If we were given control over our 125,000 employees in the use of the tires that are necessary to carry on their transportation, we can set up a fixed plan for doing this on a very economical basis. In that control we could further regulate the number of people that would ride per car. The same thing could apply to all the bus transportation requirements that go along with our war plants.

"We have definite experience to qualify us for handling this kind of a job. If the control of these tires is put in our hands, we will have daily inspection of all cars, and the moment a tire shows any sign of the fabric being exposed, we would see that the tire is removed and sent in for retreading. In this way the fabric construction of the tire is never destroyed. It is the most valuable part of the tire and under the circumstances should be carefully preserved.

"The Bomber Plan as well as the Rouge is laid out definitely for transporting men to and from work by automobile, and we have load plans so the men only travel a minimum distance from their home to the factory.

"All of our plants here as well as everywhere in the country are now laid out for that type of transportation. If our transportation is not handled successfully, everything becomes a failure. We feel certain that the Ford Motor Company could give ample proof of its ability to carry out this plan, and we welcome any investigation or check-up that is necessary."

(Signed) "CHAS. E. SORESENSEN."

In summary, the objections of the Ford Motor Company as are follows:

(1) That critical materials which might be used in the construction of a permanent city with necessary utilities can be employed more advantageously in other more vital war production.

(2) That adequate transportation, both from the City of Detroit and from rural communities in the vicinity of Willow Run, can be provided.

(3) That it would necessitate the immediate employment of an army of workmen estimated at from twenty to forty thousand men, whose employment could best be used in other industrial war pursuits. The transportation of these workmen would require full service immediately.

(4) That the Ford Motor Company has no post-war plans and, therefore, the future employment at the Willow Run Plant is incalculable, and that even the most optimistic guessers would not anticipate an employment at that plant after the war of over fifteen percent of peak.

(5) That there is no possibility of absorbing residents of that district in other employment in the neighborhood in such large numbers as that anticipated in the proposed F. P. H. A. City.

(6) That the building of "Bomber City" does not eliminate the transportation problem—the closest point of the chosen site being two miles from the closest boundary of the Willow Run Plant, the farthest point being six or seven miles away.

(7) That in the event of invasion by enemy aircraft Willow Run must be considered a military objective and the proximity of so many civilian residences housing many skilled workers would constitute an unnecessary exposure which might not only result in needless casualties, but in great loss of irreplaceable skilled workmen.

(8) The proposed permanent city north of Michigan Avenue would necessitate the residents-employees, crossing and recrossing two main highways—U. S. 112 and M 17—and the Michigan Central Railroad track—in going to and coming from their work. In order to eliminate traffic congestion and danger to life, it would be necessary to build at least three bridge separations at a tremendous cost of time, money, and essential work materials.

I. A. CAPIZZI,  
*Attorney for Ford Motor Company.*



## SUPPLEMENTAL DATA

The following letter appears herewith in connection with the testimony of Rayford W. Alley, supra, pp. 5103-5119.

ALLEY, COLE & GRIMES,  
30 Broad Street, New York, May 11, 1942.

CHARLES P. CLARK, Esq.,  
Associate Chief Counsel,  
Special Committee Investigating the National Defense Program,  
Senate Office Building, Washington, D. C.

DEAR MR. CLARK: I have your letter of May 6th, enclosing galley proof of my testimony given before the Committee.

I have indicated a few typographical errors.

There are a few changes of substance which you may or may not deem it necessary to have corrected. When the galley was received, I turned it over to Mr. William Walsh, the attorney for Key West Construction Corporation, and asked him to check it. He was present with me during practically all of the negotiations with Engineers' Group, Inc., relating to the Key West Corporation contracts.

The changes of substance which Mr. Walsh points out are as follows:

1. On page 95 PW<sup>1</sup> I stated that I met Mr. Fuller at the office of Mr. William Walsh, an attorney, at 295 Madison Avenue.

As a matter of fact, the meeting held in New York was not at Mr. Walsh's office, nor was I present. The meeting to which this refers was between my client Anthony LaRocca and Mr. Fuller and took place at the Sherry Netherland Hotel. Mr. Walsh did not meet Mr. Fuller or me until we met at the Mayflower Hotel on or about September 24th.

2. Further down on page 95 PW, I stated that my clients were to build a group of defense houses.

While this was true with respect to Schweers & Smith, Inc., and with respect to Joseph Engineering Co., the first contract which the Key West Construction Corporation signed had to do only with foundation work in Cumberland, Md., and in Norfolk, Va., and this work was to be on a cost-plus-fixed-fee basis.

3. On page 96 PW I referred to a sponsoring corporation.

While it is true that Key West entered into the contract with Cumberland Properties, Inc., which was the sponsoring corporation for the Cumberland job, the dealings which Mr. Walsh and I and our clients had were with Engineers' Group, and the principal contract was with Engineers' Group and the money was paid to Engineers' Group.

4. Again on page 96 PW, near the bottom, I stated that they (the LaRocca's) figured that they would make \$150, possibly \$250, a house.

While this was true with respect to Schweers & Smith, Inc., and Joseph Engineering Co., it was not true with respect to Key West Construction Corporation. Key West's fee over the costs was to be in the neighborhood of \$35 per foundation.

5. On page 97 PW I testified "Mr. Walsh was convinced that this was a good deal, not from a business standpoint, but that it was a safe deal to be made by his clients."

As to this Mr. Walsh says the following: "While it is true I could not pass upon the aspects of the business end of the deal, I was nevertheless concerned about the clients' paying over the monies, and it was not until I had the assurances of Mr. Thach that I felt that the clients were safe in making payment."

6. On the same page, lower down, I stated that Schweers & Smith received a contract and are now building houses.

While this is true, I should have pointed out that Engineers' Group, Inc., fell down on their contract with Schweers & Smith, and it was not until further monies were paid in and dealings made direct with Robinson that the Schweers & Smith contract became effective.

7. On page 99 PW, in answer to Senator Ball's questions, I stated that Schweers & Smith and Key West Corporation were building complete units and were contracting to build houses for a flat price.

<sup>1</sup> This and further page references in Mr. Alley's letter are to galley proof.



This was true insofar as Schweers & Smith and Joseph Engineering Co. were concerned, but it was not the case in the first two contracts signed between Engineers' Group and Key West. These first contracts were limited only to foundation work as pointed out above.

I do not think any of the above changes really affect my testimony in any substantial way, but after talking with Bill Walsh and reviewing the file, the statements as amended, accord with the facts as I now recollect them, and I wanted to point them out in case you considered it had any material bearing.

The typographical notations are noted in the margin.

Yours very truly,

RAYFORD W. ALLEY.

The following letter is included in relation to testimony, supra, p. 5259.

GEORGE MEADER,  
*Ann Arbor, Mich., July 23, 1942.*

Re Willow Run housing.

TRUMAN COMMITTEE,  
*United States Senate, Washington, D. C.*  
(Attention Mr. Hugh Fulton, Chief Counsel)

GENTLEMEN: During the hearing yesterday the issue arose as to whether or not the City of Ypsilanti could furnish water and possibly sewage facilities to temporary housing near the Ford Willow Run plant.

Col. Starr, of the Federal Public Housing Authority, advanced the view that the city of Ypsilanti could not legally furnish the same. I commented that I understood that the legal inhibition, if any, proceeded from a city ordinance rather than state law and that it would not prohibit the furnishing of necessary water to the projected temporary dormitories and apartment buildings.

Upon my return to Ann Arbor I investigated this matter more thoroughly and find that Col. Starr and I were both at least partially wrong and that the situation is substantially as hereinafter set forth, and I would like to have this correction made a part of my testimony in the record if that is possible.

Article 8, Section 23, of the Michigan Constitution provides that municipalities may sell water and other public utilities outside the corporate limits of the municipality provided that the amount thereof shall not exceed 25% of the amount furnished within the corporate limits. According to an Attorney General's opinion, the amounts are to be measured on the basis of annual business (Opinions of the Attorney General, 1925-1926, page 85).

I have further conferred with Mr. Shoecraft of the firm of Shoecraft, Drury & McNamee, who have recently made a survey of the water supply of the City of Ypsilanti and surrounding area in connection with an application for an F. W. A. grant and for the necessary priorities and materials, and I am informed by him that the present maximum capacity of the Ypsilanti plant is 2¼ million gallons per day, of which slightly over 1½ million gallons per day are now being used, and that the expansion applied for would approximately double the capacity of the plant; that at the present time, under contract, the city is furnishing water to the Bomber Plant itself and has furnished as high as 700,000 gallons a day using a twelve-inch line. I understand that this is being done until the Ford Motor Company is able to use its own water supply and until its filtration plant will be in operation, which they expect will be approximately four months. After that time the City of Ypsilanti would expect to furnish only stand-by water service to the Bomber Plant.

In this connection it may be noted that here has been some discussion of the Bomber Plant using Belleville Lake as a stand-by supply.

Mr. Shoecraft was of the opinion that from discussions with officials in Ypsilanti that an arrangement upon proper terms could be made whereby the water could be furnished to the dormitory structures to be erected by the National Housing Authority and that the supply would be adequate.

We question whether the constitutional limitation would apply first, because the contemplated sale of water would be temporary and, second, because of the transcendental importance of aiding the nation's war effort and, third, because of the remote likelihood of the question being raised by anyone who could legally do so during the crisis.

Mr. Shoecraft also indicated that for rough computation, engineers used the figure of sixty gallons per capita per day as the estimate of the volume required in this locality and thought that due to savings effected by the dormitory and apartment house type of dwelling, this estimate could be safely reduced to fifty gallons per capita per day.

I was further informed by Mr. Shoecraft that about a week ago Mr. Arthur Gorman, engineer for the War Production Board, spent about a half day with him in Ypsilanti and that he was informed by Mr. Shoecraft that Ypsilanti could and probably would furnish water for the temporary structures; that this would be the cheapest, quickest, and best source of water because there now exists a 12" feeder main from Ypsilanti water plant to the Willow Run Bomber Plant which could be tapped for the temporary structures if placed at any reasonable location west of the plant. This feeder main has a maximum capacity of 1.57 million gallons per day, a volume far in excess of the combined demand of the plant and the temporary dormitories and apartment houses as now planned. It is obviously the most economical as no alternative plan could provide water with such a small amount of steel pipe. It is also pointed out that the Ypsilanti water is filtered. Presumably this is included in Mr. Gorman's report to the War Production Board.

This same constitutional limitation applies equally to the City of Detroit which, at the present time, is already furnishing a substantial volume of water outside its corporate limits to such communities as Redford, Lincoln Park, Allen Park, Melvindale, Grosse Pointe, Wayne, Inkster, Garden City, Dearborn, Hamtramck, and also the Chrysler Tank Arsenal and others.

I am not offering the above comments as anything in the nature of an engineering report, but only as a modification and clarification of the record upon the point in issue.

If there should be any further question about this matter or any others I may have covered either in my written or oral statements at the hearing, I would be pleased to make a further statement to the Committee. I remain,

Very truly yours,

GEORGE MEADER,  
Prosecuting Attorney.

GM/b.

The following letter appears herewith in connection with testimony, supra, p. 5259.

NATIONAL HOUSING AGENCY,  
FEDERAL PUBLIC HOUSING AUTHORITY,  
Detroit, Michigan, July 29, 1942.

Re: Development of War Housing near Ypsilanti, Michigan.

TRUMAN INVESTIGATING COMMITTEE.

Mr. Hugh Fulton, Chief Counsel, United States Senate,  
Senate Office Building, Washington, D. C.

GENTLEMEN: Mr. George Meader, the Prosecuting Attorney for Washtenaw County, Michigan, has graciously furnished me a copy of his letter of July 23, 1942, to you, relative to legal limitations upon the extramural sale of water by the City of Ypsilanti, Michigan.

Mr. Meader indicates in his letter that subsequent to testifying before your honorable committee he checked the law and found that instead of a city ordinance the Michigan State Constitution contained a legal limitation upon the municipal sale of water outside the city limits. Mr. Meader took occasion to indicate in his letter that in this respect he and I were both at least partially wrong.

Although I do not have a transcript of the testimony given at the hearing, it is my recollection that I stated that the Michigan Constitution contained a legal limitation upon the sale of water outside of cities and the amount thereof was twenty-five percent (25%) of that provided within the city limits. For purposes of the record I should like to point out that my original testimony was not in error.

Very sincerely yours,

F. CHAS. STARR,  
For the Commissioner.

The following documents are included in connection with testimony, supra, pp. 5250-5281.

TRUMAN COMMITTEE,  
SENATE OFFICE BUILDING,  
Washington, D. C., July 30, 1942.

MR. MAURY MAVERICK,  
Chairman, Willow Run Committee, War Production Board,  
Washington, D. C.

DEAR MR. MAVERICK: As you know, the Committee is in thorough agreement with the procedure worked out between you, as Chairman of the Willow Run Committee of the War Production Board, and Mr. Blandford, as Administrator of the National Housing Agency, outlined in your letter to me of July 29.

I believe that you should be commended for the expeditious handling of this matter and the reaching of a proper solution. The Committee would appreciate it if you would keep it informed as to further developments, particularly with respect to the question whether there is any need for any public housing in the vicinity of the Willow Run Plant.

In my opinion the shortage of strategic materials is of such nature that it would serve a very useful purpose if all projects of similar nature should be reviewed by a Committee, such as the one headed by you, for the purpose of determining the extent to which strategic materials can and should be allocated to housing and the extent to which there is necessity that such housing be public housing.

Very truly yours,

HARRY S. TRUMAN,  
United States Senator.

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WAR PRODUCTION BOARD,  
DIVISION OF INDUSTRY OPERATIONS,  
Washington, D. C., July 29, 1942.

HONORABLE HARRY TRUMAN,  
Chairman, Special Senate Committee  
Investigating National Defense Program,  
Senate Office Building, Washington, D. C.

DEAR SENATOR TRUMAN: The Willow Run Committee has made considerable progress in respect to the Willow Run housing problem. Having received and reviewed a definite housing program submitted by Mr. Blandford, National Housing Administrator, the Committee has recommended approval by the War Production Board of a major portion of that program. Mr. Blandford's proposal and the recommendations of the Committee are contained in three letters, copies of which are attached.

1. A letter by Mr. Blandford, dated July 16, 1942, to me, as Chairman of the Committee.

2. A letter by me, as Chairman, to Mr. Blandford, dated July 27, 1942.

3. A further letter by me, as Chairman, to Mr. Blandford, dated July 29, 1942.

It is hoped that a final decision on the remainder of Mr. Blandford's program may be reached in the near future. Meanwhile, the major portion of the program can go forward immediately.

On behalf of each of the members of the Willow Run Committee, I wish to assure you that we will be glad to cooperate with you in any way possible in the ultimate solution of Willow Run housing problem. If you desire further information upon the present recommendations or further progress of the Committee, we shall be glad to supply such information at your convenience.

With cordial best wishes to yourself and members of your Committee, as well as Mr. Fulton and other assistants, I remain,

Sincerely yours,

(Signed) MAURY MAVERICK,  
Chairman, Willow Run Committee, War Production Board.



1600 EYE STREET NW., July 16, 1942.

Mr. MAURY MAVERICK,  
War Production Board, Washington, D. C.

MY DEAR MR. MAVERICK: In accordance with your request, I am confirming in this letter the information which I gave to you and the other members of the Willow Run Committee of the War Production Board in your office on July 13.

As I explained, our determination of the need for housing in the Willow Run area has been revised because of a reduction in the estimate of peak employment at the Willow Run Bomber Plant from 100,000 to 60,000 employees. Because of this reduction in the estimated peak employment and because of a national policy of much more stringent programming of housing, the housing we now contemplate constructing to serve the plant is much less than that formerly programmed. In summary the quantities are as follows:

	Former program based on estimated peak employment of 100,000	Present revised program based on peak employment estimate of 60,000 and based on new programming principles
Public Housing: Dormitories.....	10,000	3,000
Temporary Dorm. Apts.....	8,000	1,000
Family Dwelling Units.....	15,000	4,500
Private Housing: Family Dwelling Units.....	10,000	4,500

The revised program constitutes what we consider a minimum and it is possible that a greater quantity of housing may become necessary due to a revision upward in the estimate of peak employment or increasing difficulties in providing transportation. Any additional housing which may become necessary for the above-mentioned reasons will in all probability be of a temporary nature.

Of the 4,500 family dwelling units to be constructed with public funds, we propose to locate approximately 2,500 in the vicinity of the plant and 2,000 in the Wayne-Inkster area. The 2,500 to be located in the vicinity of the plant will be able to use, at least temporarily, the community facilities available at Ypsilanti and will probably be located as close to Ypsilanti as it is possible to find suitable sites. These 2,500 units, together with the dormitories for 3,000 workers and the 1,000 temporary dormitory apartments will constitute the nucleus for any future temporary additions which may become necessary. By dividing the public housing between Ypsilanti and the Wayne-Inkster area the 2,000 units located in the latter area will also be able to use existing community facilities, at least temporarily. In this way it may become unnecessary for us to furnish all of the various facilities which would be necessary if a large new townsite were developed at either location.

The private housing programmed to serve the plant will be located principally in Wayne, Inkster, Ypsilanti, and Ann Arbor on lots which have all or some of the utilities presently installed. It is estimated that such a plan will probably require all lots for which any substantial part of the utilities has been installed.

As I indicated during our discussion, we are relying upon estimates from the War Manpower Commission of in-migration into the Detroit Metropolitan area and of peak employment at the Willow Run Plant. Although we have requested their latest figures, we have not yet received them. However, they have indicated informally their advice will be to the effect that minimum in-migration will be 75,000 workers and peak employment at the plant will be 60,000 workers. We are also being guided, as we have advised Mr. Nelson, by his directive to Mr. Kanzler to confine in-migration to approximately 75,000 workers. Some housing, in addition to that described above, in other parts of the Metropolitan Detroit area will be necessary to provide for the balance of the in-migrants.

We also wish to confirm the advice from Mr. Eastman, Director of the Office of Defense Transportation, giving his recommendations with reference to the location of housing at the Willow Run plant, as set out in his letter of July 3, 1942, a copy of which is attached. This letter confirmed his earlier advice to us, which was



given at the time of site selection. The O. D. T.'s advice is in line with general policies heretofore stated with reference to the location of war housing. The standards with reference to the location of private housing promulgated by the W. P. B. required that such housing be within 2 miles of public transportation serving a war industry, that the round trip fare by public transportation be 40¢ or less, and that the time required for a round trip be 2 hours or less. If we apply this standard to the residences of the employees presently working in the plant, we estimate that no more than 25 percent are living in housing which meets these requirements.

The revised quantity of housing, both private and public, to serve the Willow Run plant will shelter approximately 15,000 workers. Since only 5,000 workers presently live within a radius of 15 miles of the plant, and the housing supply within such radius is exhausted, a tremendous transportation problem will still exist as 40,000 workers will have to be moved over 30 miles a day and, based on present patterns, 30,000 of these will travel more than 50 miles per day.

As requested, I am enclosing estimates of the quantities of critical materials which will be used in the construction of housing and to provide on-site utilities for the revised program set forth above. The Federal Works Agency is submitting concurrently estimates of the quantities of critical materials to be used for the water line from Detroit to Wayne and for the line from Wayne to the plant. The enclosed information is the best presently available and is based upon our best judgment as to the ultimate location of the sites. The only quantities which might be decreased or increased would be for water lines and other utilities to and from the sites which might vary one-fourth mile or so depending upon the final boundaries of the actual sites. More detailed information will be presented to W. P. B. in the actual applications for priorities.

Let me also repeat my recommendation that you approve the extension of the proposed water line from Wayne to the vicinity of the plant. I believe that this line is necessary in order to assure a suitable water supply for the housing program and particularly important in the event it becomes necessary in the future to increase the quantity of housing in the vicinity of the plant. The estimates of peak employment at the plant have fluctuated so violently that the proposed extension will be our only assurance that sufficient quantities of shelter can be provided for workers if the number of employees exceed 60,000 or if transportation fails.

If there is any additional information you desire, I shall be glad to furnish it to you.

Sincerely yours,

JOHN B. BLANDFORD, JR., *Administrator.*

Enclosure.

JULY 27, 1942.

MR. JOHN B. BLANDFORD,

*Administrator, National Housing Agency, Washington, D. C.*

DEAR MR. BLANDFORD: I am replying on behalf of the Willow Run Committee of the War Production Board to your letter of July 16, 1942. In order that the housing program for the Willow Run workers may go forward as quickly as possible, immediate authorization of certain portions of your program is desirable pending completion of the Committee's investigation necessary to a decision upon the remainder of the program.

Accordingly the Committee is recommending approval by the War Production Board of the following immediate steps in the housing program:

1. Construction, as proposed in your letter, of 4,500 private family dwelling units on vacant improved lots at Wayne, Inkster, Ypsilanti, and Ann Arbor. We believe that the number of housing units on improved lots should be increased in order to take the fullest advantage of existing utility systems. We also believe a wider area should be used as many established communities already have thousands of lots with schools, water, sewers, gas, lighting, and other facilities. If public housing cannot be adapted to such improved lots, we suggest an increase in the number of private housing units and a corresponding decrease in the public housing program.

2. Construction of a water main from Dearborn to Wayne, the size of the main to be determined after further consultation between an engineer assigned by the Committee to the Willow Run housing problems and water-works officials in Detroit and Wayne County.

3. Such additions to the wells, pumping units, and water filtration and softening plant at Ypsilanti as may be required to provide an adequate water supply for the recommended housing in the Ypsilanti area.

4. Reinforcement of the Ypsilanti sewage-disposal plant in anticipation of the increase in population in Ypsilanti and vicinity as a result of the recommended housing.

With respect to the remainder of your proposals, which concern public housing developments, the committee wishes to inquire further into the possibility of minimizing the use of critical materials in the extension of utilities' lines.

The Committee also suggests the following three matters for further investigation:

1. The relative advantages, considering the critical materials involved as well as other factors, of locating the colored public housing project in Inkster on improved property.

2. The relative advantages of placing the public housing projects in Wayne south of Michigan Avenue rather than north of the River Rouge in order to avoid the necessity of pumping sewage across the river.

3. The possibility of utilizing, through interconnection, the Ypsilanti and bomber plant water systems as the source of supply for housing in the vicinity of the bomber plant. It might thus be possible to avoid the construction of a water main from Wayne.

Our representative will discuss the foregoing suggestion with your representatives in your Detroit office within the next few days.

Sincerely yours,

MAURY MAVERICK,

*Chairman, Willow Run Committee, War Production Board.*

JULY 29, 1942.

Mr. JOHN B. BLANDFORD,

*Administrator, National Housing Agency, Washington, D. C.*

DEAR MR. BLANDFORD: This letter will supplement my previous letter of July 27, 1942, regarding the Willow Run housing program. Pursuant to a meeting held this morning with Colonel Starr and Mr. William K. Divers, of your office, the Willow Run Committee is recommending approval by the War Production Board of the following further steps in connection with the housing program submitted by you on July 16, 1942:

1. Construction of a 48-inch reinforced concrete water main from Dearborn to Wayne. It is believed that a main of this size would not only provide the necessary water supply for the public and private housing program in Wayne and vicinity but would also permit the further extension, if later deemed desirable, of a water main to the vicinity of the bomber plant.

2. Construction of 500 public family dwelling units for Negroes at the site indicated by Colonel Starr in the southeastern corner of Inkster.

3. Construction of two public housing developments, consisting of 500 and 900 family dwelling units, respectively, in Wayne at the sites indicated by Colonel Starr north of the River Rouge.

The recommendations thus far made by the Committee leave open for further consideration, I believe, only the following remaining steps in your program:

1. The location of 100 public housing units in the Wayne-Inkster area for which Colonel Starr has as yet chosen no definite site.

2. The construction with public funds of 2,500 family dwelling units, 1,000 dormitory apartments and dormitories for 3,000 workers in the vicinity of the bomber plant.

Sincerely yours,

MAURY MAVERICK,

*Chairman, Willow Run Committee, War Production Board.*

The following documents are included in connection with testimony, supra, pp. 5250-5281:

CONGRESS OF INDUSTRIAL ORGANIZATIONS,  
Washington, D. C., August 12, 1942.

MR. HUGH A. FULTON,  
*Chief Counsel, Special Committee Investigating the  
National Defense Program,  
Senate Office Building, Washington, D. C.*

DEAR MR. FULTON: Enclosed is a copy of the statement which was submitted to the Willow Run Committee of the War Production Board on behalf of the CIO Committee on Housing.

We would appreciate it if you would have this statement inserted into the record of the hearings before your Committee on the housing situation at the Willow Run bomber plant in Michigan.

Sincerely yours,

STANLEY H. RUTTENBERG,  
*CIO Subcommittee on Housing.*

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STATEMENT PRESENTED TO THE WILLOW RUN COMMITTEE OF THE WAR PRODUCTION BOARD BY THE CIO COMMITTEE ON HOUSING AUGUST 5, 1942

The entire weight of the national CIO Committee on Housing is behind the recommendations made by Mr. Blandford, Administrator of the National Housing Agency. Mr. Blandford's proposals to the Truman Committee, which included construction of 2,000 public dwellings in the Wayne and Inkster area and 2,500 family units, 3,000 dormitories, and 1,500 two-person war apartments in the vicinity of the Willow Run bomber plant have the wholehearted support of the United Automobile Workers and the national CIO.

In order to build the public units in Wayne and Inkster, Mr. Blandford stated that a water main had to be constructed between Detroit and Wayne and further recommended that a water line be constructed between Wayne and the site of the project near the Willow Run bomber plant. The CIO greets with a great deal of satisfaction the approval which the Willow Run Committee has already given to the construction of the water line from Detroit to Wayne and the 1,900 public family units in the Wayne and Inkster area.

The national CIO now urges upon the Willow Run Committee the further approval of Mr. Blandford's programmed housing for the Willow Run bomber plant area. We feel that it is vitally necessary that a minimum program be started immediately. We emphasize that this program of Mr. Blandford's for the Willow Run area is a minimum program. We feel that as the bomber plant goes into full operation, turning out the scheduled 405 bombers a month, the need for housing in this area will be far greater than that now estimated by the National Housing Agency. Because we feel this need will be even greater as time goes on, we wholeheartedly support Mr. Blandford's efforts to start immediately the housing program in the Willow Run bomber plant area. If this program is not now begun the housing situation during the next few months will become even more critical.

We know full well that the material shortage is very critical. We would not support any effort to use critical materials for any type of construction which we felt did not have a direct bearing upon the war effort. To win this war we need bombers, and we need all the critical materials that it takes to build these bombers. But workers are needed to produce bombers. If workers are not adequately housed in areas close to their place of employment, their productive efficiency decreases, their morale suffers, and they seek work in other plants closer to their homes.

We feel that if it is a matter of producing bombers or building up an inventory of critical materials, bombers should be produced and inventories should be reduced slightly so that some of the material can go toward the construction of homes for the workers to live in. For without homes to house workers, the bombers will not be produced and the boys on the fighting fronts of the world will not have the airplanes to bomb Axis territory.

Evidence was introduced in a recent hearing before the Truman Committee by representatives of the United Automobile Workers, CIO, showing that the



labor turnover in the Willow Run bomber plant now exceeded the average labor turnover throughout the aircraft industry. The Auto Workers pointed out that the national average in labor turnover in aircraft plants was 3.8 per hundred employed, and that the turnover at the Ford bomber plant was 4.3 per hundred, or almost 15 percent higher than the national average. In a new plant just being completed, where production should be increasing each day, it is natural to expect labor turnover to be lower because the great number of workers added to the labor force would be absorbed into the newly created jobs as new parts of the plant go into production. Therefore, it is extremely alarming to see that, even before peak operation is attained, the labor turnover in the bomber plant is 15 percent higher than in other aircraft plants throughout the country.

The reasons for this high turnover rate, we believe, can be directly attributed to two things: (1) the lack of adequate housing facilities, and (2) the long distances the workers must travel to and from work each day. On this latter point, the UAW local union at the bomber plant made a survey which showed that almost 70 percent of the workers travel over 30 miles a day going to and from work; 45 percent spend over an hour going one way from their homes to the plant and 46 percent spend over an hour getting from the bomber plant to their homes.

It is natural for workers to attempt to secure employment as close to their homes as possible. When workers must travel from 40 to 60 miles a day, a great deal of their energy is consumed in transportation. This reduces their efficiency in the plant and affects war production. Traveling these great distances results in workers making an effort to secure employment elsewhere, closer to their homes. It is therefore obvious that the labor turnover in the Ford plant is extremely high because of the tremendous distances which workers must travel to and from work. To reduce the labor turnover in the Ford bomber plant and to increase efficiency and workers' morale, it is essential that housing be provided for these workers in close proximity to their work. Unless this is done, we can expect labor turnover to increase, and fatigue and inefficiency to affect the production of bombers at the plant.

One of the important factors involved in the transportation problem is the matter of public transportation service to and from the bomber plant. Workers who live in and around Detroit must travel by bus, the round trip fare being 90¢. A worker employed 5 days a week must spend \$4.50 of his earnings for transportation. This is far and above what any worker's budget permits him to spend on transportation to and from his place of employment.

A great many of the bomber-plant workers living in the Detroit area are now participating in car-sharing or pooling plans. However, how much longer car-sharing plans will be able to operate is directly dependent upon the critical rubber situation which faces the nation. Having to travel 40 to 60 or more miles a day means that during the course of 2 months, well over 3,000 miles would be travelled on the tires now used on these automobiles. By the time winter comes, most of these automobiles will have consumed the entire life of the tires and the workers will, therefore, be faced with the additional critical problem of providing themselves with transportation to the plant. And it should be remembered that the present employment is only about  $\frac{1}{3}$  of what it is expected to be when the plant is operating at its scheduled rate. The increased number of workers will further aggravate the transportation problem.

The rubber situation is sufficiently critical today almost to preclude the possibility of these workers securing not only new tires, but recapped and retread tires by the time winter comes. The tire situation as well as the high cost of public transportation to and from Detroit can be relieved in part by the construction of housing in the area of the bomber plant. Not to grant approval to the construction of this project is to further complicate and make more serious the now existing critical transportation problem, as well as increase labor turn-over, decrease workers' efficiency, and weaken morale.

If the Committee, in its better judgment, decides not to approve housing in the vicinity of the bomber plant, it will have an unfortunate effect on the morale of the workers and the actual production of bombers will suffer.

We therefore urge with the full support of the five million members of the CIO that the Committee approve the minimum program of housing recommended by Mr. Blandford.



The following letter appears in connection with testimony, supra, p. 5264:

NATIONAL HOUSING AGENCY,  
FEDERAL PUBLIC HOUSING AUTHORITY,  
Washington, July 29, 1942.

Office of the Commissioner

HON. HARRY S. TRUMAN,

*Chairman of the Special Senate Committee Investigating the National Defense Program, United States Senate.*

MY DEAR SENATOR TRUMAN: At the hearings on July 22, in connection with the public war housing programmed for the Willow Run Bomber Plant, you requested additional information on certain questions concerning the transportation of the construction workers to be employed at the sites.

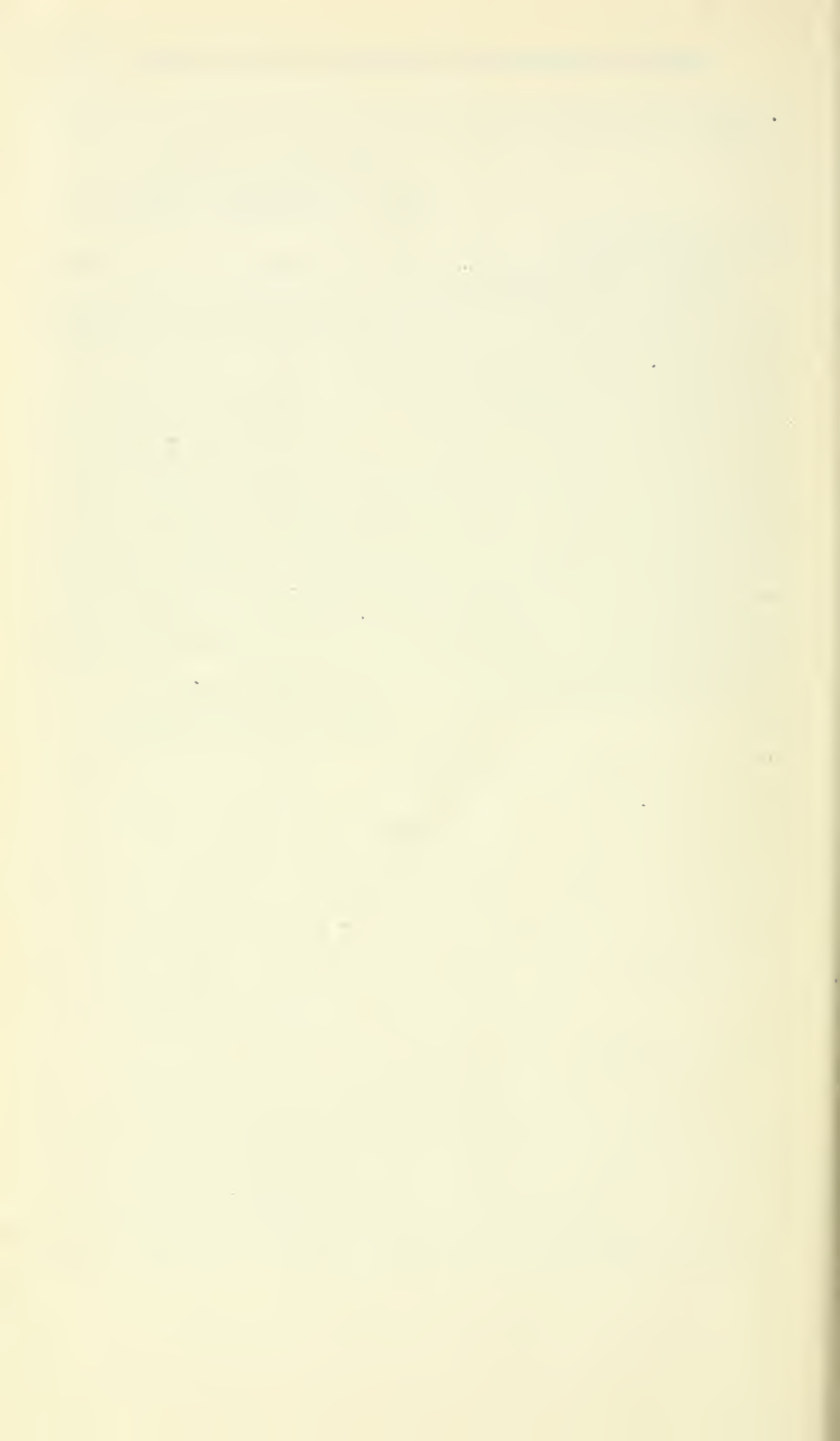
The question was whether the location of the public war housing in Wayne, Inkster, and the Ypsilanti-Willow Run area, rather than in Detroit, would increase the net transportation required.

The construction of all of the public war housing now programmed for the Willow Run Bomber Plant in the above location will cover a very short period. The construction workers to be employed at the sites will therefore require transportation only for a relatively short time, whereas the workers to be employed at the plant must be transported for the duration of the war. It is estimated that this construction will require the equivalent of 4,462 man-years of labor at the sites. A great deal of this will, however, be over within four months of starting work. The total employment of 58,000 at the plant is estimated to be reached only in 1943. The period of peak employment of construction workers must necessarily *precede* the period of peak employment at the plant and the number of construction workers who must be transported to the sites of the housing will be reduced as the housing is completed, thereby making it possible to increase employment at the plant.

If there is any further information you desire, please communicate with me.

Sincerely yours,

(Signed) HERBERT EMMERICH,  
*Commissioner.*



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